



EXECUTIVE SUMMARY
OF
AGGREGATE REVENUE REQUIREMENT
FOR THE
DISTRIBUTION AND RETAIL SUPPLY BUSINESS
IN THE 11 DISTRICTS OF HARYANA

FOR THE FINANCIAL YEAR 2012-13

Submitted to

The Haryana Electricity Regulatory Commission

By:

UTTAR HARYANA BIJLI VITRAN NIGAM LIMITED

Registered Office: Vidyut Sadan, Plot No. C-16, Sector-6, Panchkula

November 2011

EXECUTIVE SUMMARY

- 1.1 This document is the Executive Summary of the Annual Revenue Requirement (ARR) of the Distribution and Retail Supply (D&RS) Business of Uttar Haryana Bijli Vitran Nigam Limited (UHBVNL) for FY 2012-13 filed with the HERC on November 30, 2011. The executive summary presents a gist of the main elements of the filing made by the Nigam to the Hon'ble Commission.
- 1.2 This summary contains formats that include computation of Capital Base, Power Purchase, O&M Costs, Interest & Finance Charges, Overall Expenditure, Non Tariff Income and Revenue for the ensuing financial year at current tariff and other financial formats as per HERC tariff regulations. Other details include audited financial statement as on March 31, 2011 and the basis of projections for FY 2011-12 and FY 2012-13.
- 1.3 This summary is not a part of the filing made by UHBVNL and interested parties are encouraged to examine the documents filed by the licensee for detailed information. In the present filing for FY 2012-13, UHBVNL has also submitted figures for FY 2010-11 (audited actuals).

FINANCIAL FORMS

- 1.4 The Guidelines for filing the ARR require the licensee to provide audited financial statements. The audited financial statements as on March 31, 2011 have been provided. The following forms present the consolidated position for Distribution & Retail Supply Business carried out by UHBVNL and projected for the ensuing year:
 - (a) The first two forms give the P&L and the Balance Sheet;
 - (b) Table 3 gives the cash flow statement of the Nigam;
 - (c) The summary of the ARR detailing the various components of ARR is tabulated as Table 4;
 - (d) Table 5 summarizes the reasonable return for the D&RS business;
 - (e) The allocation of expenditure into fixed, variable and other costs has been detailed out in Table 6; and
 - (f) The energy balance of the system constitutes Table 7.
- 1.5 The audited figures for FY 2010-11 have been provided in the relevant forms along with revised estimates for FY 2011-12 and projections for FY 2012-13.

Profit and Loss Statement

1.6 Abstract of the P&L statement for the period ending March 31, 2011 has been tabulated in below.

Table 1 Summary of the Profit & Loss Account

S. No.	Particulars (Rs. Crores)	Previous Year (Actual) FY 2010-11	Current Year (Estimated) FY 2011-12	Ensuing Year (Projected) FY 2012-13
A	Revenue			
1	Revenue from sale of power	3167.23	4657.46	6425.36
	Within State	2883.21	3434.54	3854.49
	Outside State	284.02	1222.92	2570.87
2	Other Non-Tariff Income	168.59	187.78	209.88
3	Revenue against regulatory assets	1979.12		
4	Revenue subsidies	1763.59	1960.94	2099.95
	Total Revenue or Income	7078.54	6806.18	8735.19
B	Expenditure			
1	Purchase of Power from Own Stations			
2	Purchase of Power from Other Sources	5626.03	7015.61	9489.98
3	Intra-State Transmission Charges			
4	Repairs and Maintenance	36.31	99.56	113.18
5	Employee costs	516.90	628.34	757.35
6	Administration and General expenses	55.00	62.43	71.25
7	Net prior period credit/(charges)	139.18	0.00	0.00
8	Other Debits, Write-offs	16.72	9.90	10.25
10	Less: Expenses Capitalized	12.24	14.74	17.64
C	PBDIT	700.65	-994.92	-1689.18
D	Depreciation and Related debits	93.00	135.43	163.32
E	PBIT	607.65	-1130.36	-1852.50
1	Gross Interest & Finance Charges	932.35	1568.14	1684.47
2	Less: Interest Capitalized	195.47	328.77	353.16
F	Net Interest and Finance Charges	736.88	1239.38	1331.32
G	TOTAL EXPENDITURE	7207.77	9175.92	11919.01
H	Profit/Loss before Tax	-129.23	-2369.73	-3183.82
I	Income Tax provisions			
J	Profit/Loss after Tax	-129.23	-2369.73	-3183.82
K	Profit/Loss after Tax without Revenue Subsidies	-1892.82	-2369.73	-3183.82

Notes: HERC has approved a revenue gap of Rs. 1144.34 Cr vide its order dated 13.09.2010 on the ARR of FY 2010-11. However, as a result of increase in tariff w.e.f. 1.10.2010, an amount of Rs 178.11 Cr has already been recovered during FY 2010-11. Balance amount has been accounted for as Revenue by contra-debit to Regulatory Assets.

HERC vide its order dated 13.09.2010 has allowed Agricultural Subsidy for FY 2010-11 as Rs 2028.91 Cr. However, an amount of Rs 1756.39 Cr only has been received during FY 2010-11. Hence, the balance amount has been accounted for as Revenue by contra-debit to Regulatory Assets.

All figures have been rounded off to the second digit.

Balance Sheet

1.7 The audited balance sheet of the Nigam as on March 31, 2011 has been tabulated below:

Table 2 Consolidated Balance Sheet

S. No.	Particulars (Rs. Crores)	Previous Year (Actual) FY 2010-11	Current Year (Estimated) FY 2011-12	Ensuing Year (Projected) FY 2012-13
I.	SOURCES OF FUNDS			
	A) Shareholders' Funds			
	a) Share Capital	1424.41	1597.41	1729.12
	b) Reserves and Surplus	27.74	27.74	27.74
	B) Special Appropriation towards Project Cost			
	C) Loan Funds	10194.51	12355.80	13597.80
	a) Secured Loans	4101.76		
	b) Unsecured Loans	6092.75		
	D) Other sources of Funds			
	a) Capital contributions from consumers	411.14	471.12	548.62
	b) Consumers' Security Deposits	470.32	520.37	575.14
	Cash Deficit	0.00	-811.15	2083.71
	TOTAL SOURCES OF FUNDS	12528.13	14161.29	18562.13
II.	APPLICATION OF FUNDS			
	A) Fixed Assets			
	a) Gross Block	4435.86	5520.15	5798.03
	b) Less: Accumulated Depreciation	996.97	1150.19	1341.02
	c) Net Block	3438.89	4369.96	4457.01
	d) Capital Work in Progress	943.26	107.65	131.71
	B) Investments	29.76	29.76	29.76
	C) Current Assets, Loans and Advances			
	i) Current Assets	4973.98	6512.52	8345.94
	ii) Loans & Advances	77.79	94.56	113.98
	D) Less: Current Liabilities and Provisions			
	i) Current Liabilities	2581.40	3366.37	4355.39
	ii) Provisions			
	E) Net Current Assets	2470.37	3240.71	4104.52
	F) Miscellaneous Expenditure to the extent not written off	1825.99	0.00	0.00
	Profit and (Loss) Account (Debit Bal.)	3819.86	6413.23	9839.13
	TOTAL APPLICATION OF FUNDS	12528.13	14161.29	18562.13

Cash Flow Statement

Table 3 Cash Flow Statement

S. No.	Particulars (Rs. Crores)	Current Year (Estimated) FY 2011-12	Ensuing Year (Projected) FY 2012-13
I	Net Funds from Operations:		
1	A Net Funds from Earnings:		
	Profit before Tax	-2369.73	-3183.82
	Less:		
	Subsidy and Grants	1960.94	2099.95
	Income Tax payment during the year		
	Total of A	-4330.67	-5283.77
	B ADD: Debits to Revenue Account not requiring Cash Outflow:		
	(i) Depreciation	153.22	190.83
	(ii) Amortisation of Deferred Cost	-	-
	(iii) Amortisation of Intangible Assets	-	-
	(iv) Investment Allowance Reserve	-	-
	(v) Others, if any.	-	-
	Total of B	153.22	190.83
	C LESS: Credits to Revenue Account not involving Cash Receipts:	-	-
	Net Funds from Earnings (A+B-C)	-4177.45	-5092.94
2	Contributions, Grants and Subsidies towards Cost of Capital Assets	59.99	77.49
3	Security Deposit from consumers	50.04	54.77
4	Proceeds from disposal of Fixed Assets		
5	Total Funds from Operations (1+2+3+4)	-4067.42	-4960.68
6	Net Increase/(Decrease) in Working Capital:		
	A Increase/(Decrease) in Current Assets:		
	a) Inventories	0.00	0.00
	b) Receivables against sale of power	4.85	6.64
	c) Loans and Advances	1.68	1.94
	d) Sundry Receivables	149.01	176.71
	Total of A	155.53	185.28
	B Increase/(Decrease) in Current Liabilities:		
	a) Borrowings for working capital	78.50	98.90
	b) Other Current liabilities - Power purchase	-	-
	- Others		
	Total of B	78.50	98.90
	Net Increase/(Decrease) in Working Capital (A - B)	77.03	86.38
7	Net Funds from Operations before Subsidies & Grants (5-6)	-4144.45	-5047.06
8	Receipts from Revenue Subsidies and Grants	1960.94	2099.95
Total I	Net Funds from Operations including Subsidies & Grants (7+8)	-2183.51	-2947.11
II	Net Increase /(Decrease) in Capital Liabilities:	2161.28	1242.00
Total	Net Increase /(Decrease) in Capital Liabilities (A - B)	2161.28	1242.00

S. No.	Particulars (Rs. Crores)	Current Year (Estimated) FY 2011-12	Ensuing Year (Projected) FY 2012-13
II			
III	Increase/(Decrease) in Equity Capital	173.00	131.71
IV	Total Funds available for Capital Expenditure (I+II+III)	150.77	-1573.40
V	Funds Utilized on Capital Expenditure:		
	(a) On Projects	1084.29	277.89
	(b) Released Assets reissued to works	-835.61	24.06
	(c) Intangible Assets	-	-
	(d) Deferred Costs	-	-
	Total of V	248.67	301.95
VI	Net Increase/(Decrease) in Investments	0.00	0.00
VII	Net Increase/(Decrease) in Cash & Bank Balance (IV - V - VI)	-97.90	-1875.34
VIII	Add: Opening Cash & Bank balances	12.14	12.14
IX	Closing Cash & Bank Balances (VII+VIII)	-85.76	-1863.21

Annual Revenue Requirement**Table 4 Statement of the Annual Revenue Requirement**

S. No.	Particulars	Previous Year (Actual) FY 2010-11	Current Year (Estimated) FY 2011-12	Ensuing Year (Projected) FY 2012-13
	Power Purchase (MU)	15955	20366	25839
	Sale of Power outside State (MU)	701	3550	7000
	Sale of Power within State (MU)	11592	13116	14695
	Distribution Loss %	24.0%	22.0%	22.0%
1	Receipts			
a	Revenue from sale of power & Misc. Charges	3335.83	4845.24	6635.24
b	Revenue subsidy from Govt. (excl FSA subsidy)	1763.59	1998.78	1998.78 [#]
	Revenue against regulatory assets	1979.12	0.00	0.00
	Total Receipts	7078.54	6844.02	8634.02
2	Expenditure			
a	Purchase of Power from Own Stations			
b	Purchase of Power from Other Sources	5626.03	7015.61*	9489.98*
c	Intra-State Transmission Charges			
d	R&M Expense	36.31	99.56	113.18
e	Employee Expenses	516.90	628.34	757.35
f	A&G Expense	54.99	62.43	71.25
g	Depreciation	93.00	135.43	163.32
h	Interest & Finance Charges	932.35	1568.14	1684.47
i	Less: Interest & other expenses capitalized	207.71	343.51	370.80
j	Other Debits (including Provision for Bad debts)	16.72	9.90	10.25
k	Extraordinary Items	0.00	0.00	0.00
l	Other (Misc) - Net prior period expenses	139.18	0.00	0.00
	Total	7207.77	9175.91	11919.01
3	Reasonable Return		223.64	242.08
4	Other Income		-	-
5	Annual Revenue Requirement (2)+(3)-(4)	7207.77	9399.55	12161.08
6	Revenue Gap for the Year	-129.23	-2555.53	-3527.07
7	Extraordinary Items (True up of Terminal Benefits for FY 2010-11)	-	-	-171.15
8	True up for employee cost (except terminal benefits) for FY 2010-11	-	-	122.58
9	Surplus(+) / Shortfall (-) after Adjusting for Past True Up	-129.23	-1772.26	-3478.50
10	Implementation of APTEL judgment in Appeal			

S. No.	Particulars	Previous Year (Actual) FY 2010-11	Current Year (Estimated) FY 2011-12	Ensuing Year (Projected) FY 2012-13
	204 of 2010			
	True up of expenses for 2008-09	–	–	673.21
	True up of expenses for 2009-10	–	–	440.46
	True up of expenses for 2010-11	–	–	503.83
	Total True up of Expenses and Revenue on account of APTEL judgment	–	–	1617.50
11	Consolidated Revenue Gap at the end of FY 2012-13	(9) - (10)		-5096.00

* After accounting for revenue from inter-state sales, the Nigam's net power purchase cost for sale to Haryana consumers comes to Rs 5792.69 Cr for FY 2011-12 and Rs 6919.11 Cr for FY 2011-12

The RE subsidy for FY 2012-13 has currently been considered at the same level as indicated for FY 2011-12 for the purpose of ARR projection

The revenue gap may be addressed through an appropriate Tariff Order.

Reasonable Return on Equity

Table 5 Reasonable Return

Particulars	Rate of Return	Current Year (Estimated) FY 2011-12	Ensuing Year (Projected) FY 2012-13
Shareholders' Funds	14%		
Share Capital		1597.41	1729.12
Total Equity		1597.41	1729.12
Return as % of Equity		223.64	242.08

Expenditure Allocation into Fixed, Variable and Other Costs

Table 6 Allocation of expenditure into Fixed, Variable and Other Costs

S. No.	Expenditure	Ratios			PY (FY 2010-11)				CY (FY 2011-12)			
		Fixed	Variable	Others	Fixed	Variable	Others	Total	Fixed	Variable	Others	Total
1	Power Purchase	14.60%	85.40%	0%	821	4805	0	5626	1024	5991	0	7016
2	Transmission Charges	100%			0	0	0		0	0	0	
3	Repairs and Maintenance	90%		10%	33	0	4	36	90	0	10	100
4	Employee Costs	46%		54%	238	0	279	517	289	0	339	628
5	Admin and General Expenses	68%		32%	37	0	18	55	42	0	20	62
6	Depreciation and related debits	90%		10%	84	0	9	93	122	0	14	135
7	Interest & Finance charges	90%		10%	839	0	93	932	1411	0	157	1568
8	Interest on Working Capital	20%	80%		0	0	0		0	0	0	
	Sub-Total				2052	4805	403	7260	2979	5991	540	9510
	Less: Expenses capitalized				0	0	0		0	0	0	
	- Interest & Finance Charges capitalized	90%		10%	176	0	20	195	296	0	33	329
	- Other Expenses capitalized	50%		50%	6	0	6	12	7	0	7	15
	Sub-Total				182	0	26	208	303	0	40	344
9	Other Debits (incl. Bad debts)	100%			156	0	0	156	10	0	0	10
10	Extraordinary Items	100%			0	0	0	0	0	0	0	0
11	Provision for Bad Debts	100%			0	0	0	0	0	0	0	0
12	Return on Equity	95%	5%		0	0	0	0	212	11	0	224
13	Total Expenditure				2026	4805	377	7208	2898	6003	499	9400

ESTIMATION OF ENERGY SALES

1.8 The energy balance projected for FY 2011-12 and FY 2012-13 is shown below:

Table 7 Energy Balance

S. No.	Particulars	Previous Year (Actual) FY 2010-11	Current Year (Estimated) FY 2011-12	Ensuing Year (Projected) FY 2012-13
1	Purchase of Power (MU)			
	Power from Own Stations (HPGCL)	7161.61	10844.46	10844.46
	Power from Other Sources	7247.20	7796.05	7466.15
	Total	14408.81	18640.50	18310.60
	New Projects within Haryana		556.96	4712.28
	New Projects outside Haryana		237.79	3904.15
	Total	0.00	794.75	8616.43
	Short Term Power Purchase	2863.18	1807.97	0.00
	Total Power Available for Sale or Energy Input	17271.99	21243.22	26927.03
2 (i)	Energy Sales within the state			
	a) LT Sales	9409	10676	11938
	b) HT Sales	2183	2440	2678
	c) EHT Sales			
2(ii)	Inter-State Energy Sales	701	3550	7100
	Total Energy Sales	12293	16666	21717
	Distribution Loss (MU)	3662	3699	4123
3	Distribution Loss (%)	24%	22%	22%
4	Intra State Transmission Loss (MU)	460.97	569.43	722.48
	Intra State Transmission Loss (%)	2.72%	2.72%	2.72%
5	Net Energy Requirement for sale in state (MU)			
6	Energy available for inter-state sale (MU)	701.19	3,550.00	7,100.00
7	Inter State Transmission Loss (MU)	325	308	365
	Inter State Transmission Loss (%)	3.80%	3.80%	3.80%

1.9 The actual total energy sales by UHBVNL in FY 2010-11 were 11592 MU. Sales for FY 2011-12 and FY 2012-13 have been projected based on recent trends in average load factor for each category, which takes into account growth in units sold per connected load (reflective of the running hours), connected load per consumer and growth in number of consumers and connected load. Hence, the projections have been made on the basis of increase in specific consumption of consumers, increase in the availability of power and thus increased supply hours.

- 1.10 It is pertinent to mention that the two distribution utilities UHBVN and DHBVN purchase power through the Haryana Power Purchase Centre (HPPC). Hence, in order to arrive at the final sales projections, the licensee has considered the energy available with HPPC after deducting intra-state and inter-state sales. In view of the significant increase in power available to the UHBVN in FY 2011-12 and FY 2012-13, the Nigam proposes inter-state sale of 3550 MU in FY 2011-12 and 7100 MU in FY 2012-13 at the rate of the bulk supply tariff for power purchase.
- 1.11 For arriving at the final projected sales the initial projected sales have been adjusted to the extent of net availability of energy, after accounting for losses and inter-state sales. The total sales for FY 2011-12 and FY 2012-13 have been projected as 13116 MU and 14617 MU respectively.
- 1.12 The table below shows the consolidated sales for FY 2010-11, FY 2011-12 and FY 2012-13. The approach followed by licensee has been discussed in the sections above and thereby the licensee requests the Commission to allow the projected sales shown in Table 8 for FY 2012-13.

Table 8: Total Sales Projection (MU)

Consumer Category	Previous Year (Actual) FY 2010-11	Current Year (Estimated) FY 2011-12	Ensuing Year (Projected) FY 2012-13
Domestic	2282.08	2582.15	3014.98
Non Domestic	719.86	858.64	1056.86
LT Industry	683.41	720.47	791.00
HT Industry	2065.30	2352.50	2560.17
Agriculture Metered	1721.97	2219.79	2795.54
Agriculture Un-metered	3306.84	3368.80	3352.77
MITC/ Societies	5.69	6.50	7.23
Lift Irrigation	54.50	76.22	103.98
Public Water Works	350.28	412.64	474.90
Railways	117.81	119.72	118.21
Bulk Supply	248.30	275.46	298.65
Street Light	36.10	39.62	42.47
Fisheries & Others		0.00	0.00
Grand Total	11592.29	13116.10	14616.76

- 1.13 Based on the data available with the utilities, the Nigam has considered the percentages provided below for arriving at slab-wise sales within the respective category. The slab-wise connected load is also computed using the same percentages for each category as used for computing slab-wise sales.

Table 9: Slabs for Domestic consumer category

Slabs	Percentage Assumed
0-40 Units	37.44%
40-300 Units	42.58%
300-500 Units	8.92%
Above 500 Units	11.06%

Table 10: Slabs for LT Industrial consumer category

Slabs	Percentage Assumed
0-20 kW	43.60%
Above 20 kW	56.40%

Table 11: Slabs for NDS consumer category

Slabs	Percentage Assumed
0-20 kW	94.74%
Above 20 kW	5.26%

Table 12: Slabs for Bulk Supply consumer category

Slabs	Percentage Assumed
Bulk domestic	21.22%
Bulk non domestic	78.78%

Revenue from Sale of Power at Existing Tariffs

- 1.14 Revenue is projected on the basis of sales projection for different categories and currently approved tariff. Revenue from sale of power for FY 2012-13 for all categories has been determined based on the estimation of units sold to various consumer categories and prevailing tariff notified by the Hon'ble Commission in its Tariff Order for FY 2011-12.
- 1.15 The Commission had introduced two-part tariff in its ARR & Tariff Order for FY 2010-11 wherein fixed charges were introduced for all consumer categories except the domestic and street light categories. Thereafter, the Commission had revised the tariff for certain categories in its ARR & Tariff Order for FY 2011-12 dated 27 May 2011, with the revised tariff coming into effect from 1 June 2011. Hence, revenue assessment for FY 2011-12 has been undertaken considering the prevailing tariff. For estimation of revenue generated from fixed charges, the slab-wise connected load is computed using the same percentages for each category as used for computing slab-wise sales.
- 1.16 Revenue assessment of FY 2011-12 and FY 2012-13 has been summarized in the table below:

Table 13: Category-wise sales and revenue assessment for FY 2011-12 (Rs. Cr)

Consumer Categories	Annual Sales (MU)	Revenue from Energy Charges (Rs. Crores)	Revenue from Fixed Charges (Rs. Crores)	Total Revenue (Rs. Crores)
Domestic	2654	945.81	0.00	945.81
0-40	994	261.29	0.00	261.29
40-300	1130	428.66	0.00	428.66
300-500	237	109.77	0.00	109.77
above 500	294	146.10	0.00	146.10
Non Domestic	882	396.84	4.44	401.27
0-20 kW	836	375.07	0.00	375.07
above 20 kW	46	21.77	4.44	26.21
LT industry	740	324.66	41.70	366.36
0-20 kW	323	141.54	0.00	141.54
above 20 kW	418	183.11	41.70	224.82
HT industry	2321	963.04	156.42	1119.46
Agriculture metered	2220	55.49	0.00	55.49
Agriculture unmetered	3369	0.00	100.36	100.36
MITC	6	2.79	0.11	2.90
Lift Irrigation	76	32.71	2.95	35.66
Public water works	413	174.39	25.46	199.85
Railways	120	51.60	7.83	59.43
Bulk supply	275	116.53	14.97	131.50
Domestic	58	21.04	1.41	22.45
Others	217	95.49	13.57	109.05
Street Light	40	16.44	0.00	16.44
Total	13116	3080.29	354.25	3434.54

Table 14: Category-wise sales and revenue assessment for FY 2012-13 (Rs. Cr)

Consumer Categories	Annual Sales (MU)	Revenue from Energy Charges (Rs. Crores)	Revenue from Fixed Charges (Rs. Crores)	Total Revenue (Rs. Crores)
Domestic	3015	1076.17	0	1076.17
0-40	1129	296.85	0	296.85
40-300	1284	487.86	0	487.86
300-500	269	125.07	0	125.07
above 500	333	166.39	0	166.39
Non Domestic	1057	476.70	4.88	481.58
0-20 kW	1001	450.55	0.00	450.55
above 20 kW	56	26.15	4.88	31.02
LT industry	791	348.04	41.48	389.52
0-20 kW	345	151.74	0.00	151.74
above 20 kW	446	196.30	41.48	237.78
HT industry	2560	1062.47	173.34	1235.81
Agriculture metered	2796	69.89	0.00	69.89
Agriculture unmetered	3353	0.00	102.24	102.24
MITC	7	3.11	0.11	3.22

Consumer Categories	Annual Sales (MU)	Revenue from Energy Charges (Rs. Crores)	Revenue from Fixed Charges (Rs. Crores)	Total Revenue (Rs. Crores)
Lift Irrigation	104	44.71	2.97	47.68
Public water works	475	201.83	27.70	229.53
Railways	118	50.95	7.84	58.79
Bulk supply	299	126.34	16.08	142.42
Domestic	63	22.81	1.51	24.32
Others	235	103.52	14.57	118.09
Street Light	42	17.62	0	17.62
Total	14617	3477.83	376.65	3854.49

- 1.1 In comparison with the revenue assessment, the actual revenue collected from sales is projected to be lower. In FY 2010-11, the actual collection efficiency (excluding surcharge) was recorded to be 98.51%. The utility is making concerted efforts to improve its performance and efficiency. As the utility has already achieved a high level of collection efficiency, the collection efficiency for FY 2011-12 and FY 2012-13 is projected to be maintained at 98.5%.

Revenue from inter-state sales

- 1.2 In order to project revenue from inter-state sales, the rate per unit for inter-state sales is assumed to be equal to the bulk supply tariff of UHBVN for power purchase. Revenue projections from inter-state sales is given in the table below:

Table 15: Revenue projected from inter-state sales

Parameters	FY 2011-12	FY 2012-13
Inter-state Sales (MU)	3550	7100
BST (Rs./unit)	3.44	3.67
Revenue from Inter-state Sales (Rs. Cr)	1222.92	2570.87

Distribution Losses

- 1.17 Distribution losses are measured considering the difference between the energy input within the state and the energy billed to consumers. Concerted effort by the Nigam has resulted in gradual decrease in distribution losses. For FY 2011-12, the Commission had approved a loss target of 22% which the utility has considered in energy balance estimation for FY 2011-12. FY 2012-13 as well, the Nigam proposes distribution losses target of 22%.

Energy Requirement

- 1.18 Based on the projected energy sales, distribution loss and inter-state sales, the energy balance for FY 2011-12 and FY 2012-13 is shown in the table below:

Table 16: Energy Balance

Particulars	FY 2011-12	FY 2012-13
Power Purchase (MU)	20366	25839

Sale of Power outside State (MU)	3550	7000
Sale of Power within State (MU)	13116	14695
Distribution Loss %	22.0%	22.0%

POWER PURCHASE

1.3 The major external sources from which power is procured by the HPPC for the two distribution companies are:

- (a) NTPC
- (b) NHPC
- (c) NPCIL
- (d) SJVNL
- (e) BBMB
- (f) Co-generation
- (g) Short-term power arrangements: PTC, NVVNL, TATA etc

Quantum of Purchase

1.19 For FY 2010-11, actual power purchase from various long term as well as short term sources is being submitted.

1.20 Estimates for power availability in FY 2011-12 from each long-term source (except for NCTPS-II, APCL, Koteshwar and BBMB) have been made on the basis of actual power purchase from that source in the first six months of FY 2011-12, extrapolated to the entire year in the same ratio as the ratio of purchase from the station in the first six months of FY 2010-11 to purchase in the entire FY 2010-11.

1.4 Power availability from HPGCL stations has been taken as per the generation forecast made by HPGCL.

1.21 Other than power availability from Long Term PPAs, DISCOMs make short-term arrangements such as direct purchases as well as banking arrangements to balance their energy requirement. The Nigam has projected the short term power including banking taking into account the actual short-term power purchased in the first six months and also based on the historical trend related to the quantum purchased through short-term sources during November to March months.

1.22 Station-wise power availability for FY 2012-13 has been estimated on the basis of the overall generation targets finalised by the Central Electricity Authority (CEA) in consultation with the generators, in line with Haryana's entitlement from each station. Since the generation targets for FY 2012-13 are not available, the Nigam has retained the energy generation projection from each station in FY 2012-13 at the same quantum as calculated for FY 2011-12 on the basis of CEA generation targets. For that, the Nigam has projected energy generation from each station from September 2011 to March 2012 taking into account the following:

- (a) Actual generation achieved from April 2011 to August 2011;
 - (b) Program energy for the period September 2011 to March 2012 (considering the program energy for the entire year, less the program energy till August 2011); and
 - (c) Past trend of actual generation achieved vis-à-vis program energy for each station, taking a weighted average over the past three years giving a greater weight to the immediate previous year (FY 2010-11).
 - (d) Projected availability has been reduced by the normative auxiliary consumption as specified by CERC in its 'Terms and Conditions of Tariff Regulations, 2009' regulations. The effective share of the state has been applied on the net generation to estimate the energy availability from respective station.
- 1.23 On the basis of the above mentioned projections from external and internal sources of Haryana, the energy to be purchased by Haryana has been projected at 42486.44 MU for FY 2011-12 and 53854.07 MU for FY 2012-13.

Cost of Purchase

- 1.24 Power purchase cost for FY 2010-11 is as per actual power purchase bills received for FY 2010-11.
- 1.25 Rate of variable charges for each long-term source in FY 2011-12 has been taken to be the same as the actual rate from that station in the first six months of FY 2011-12.
- 1.26 Fixed charges from each long-term source have been calculated taking into account the annual fixed cost of the plant as approved by CERC vide its various provisional/final Tariff Orders and for the stations for which the tariff is not determined by CERC, as appearing in actual bill. The same has been proportionately allocated to Haryana in line with the state's allocation from that source.
- 1.27 Per unit power purchase cost from HPGCL has been taken as per the generation forecast made by the generators themselves.
- 1.28 Cost estimates for FY 2012-13 have been made on the basis of relevant Tariff Orders, recent bills, existing arrangements, notifications, etc for each individual source of power.
- 1.29 The rate of variable charges for each station has been projected after applying an escalation factor to the actual rate of variable charges prevailing in the first six months of FY 2011-12. The escalation factor for FY 2012-13 has been considered to be 6% for thermal generating stations, 3% for gas-based thermal stations, 1% for nuclear stations and 3% for hydro stations.
- 1.30 For all central generating stations, the Nigam has considered the annual fixed cost of the station as appearing in the latest actual/provisional Tariff Orders issued by CERC.

The Nigam prays that it should be allowed to recover any increase/adjustment in annual fixed cost due to new Tariff Orders issued by CERC in future years.

- 1.31 For HPGCL stations, the Nigam has considered cost of power purchase at Rs 3.17/unit as indicated by HPGCL.
- 1.32 Based on the analysis of energy availability from various sources and the requirement of power for sale, the Nigam has estimated that there will be surplus power for the period FY 2012-13 majorly due to upcoming plants in future. Therefore, the Nigam has not projected any short-term purchase of energy for the FY 2012-13.
- 1.33 The Nigam has assumed that the surplus power available will be sold entirely as 'inter-state sales' in FY 2012-13.
- 1.34 The total power purchase cost for FY 2011-12 and FY 2012-13 for Haryana from external and internal sources has been assessed as Rs 12852.68 Crores and Rs 17470.19 Crores respectively.
- 1.35 After taking into account inter-state and intra-state transmission losses and charges, as well as wheeling and SLDC charges, the bulk supply tariff and power purchase tariff for UHBVNL (50% share of power purchase cost and quantum) is tabulated below:

Table 17: Average Power Purchase cost for UHBVNL

Particulars	FY 2011-12	FY 2012-13
Power Purchase Cost (Rs Cr)	6426.34	8735.10
Inter-State Transmission Charges (Rs Cr)	92.00	140.21
Intra-State Transmission Charges (Rs Cr)	436.79	554.19
SLDC Charges (Rs Cr)	6.39	6.39
Open Access Charges (Rs Cr)	54.10	54.10
Total Bulk Purchase & Transmission charges (Rs Cr)	7015.61	9489.98
Energy available for sale to UHBVN	20365.52	25839.43
Power Purchase Cost per unit (Rs/kWh)	3.16	3.38
Transmission Charges per unit (Rs/kWh)	0.26	0.27
SLDC Charges per unit (Rs/kWh)	0.00	0.00
Open Access Charges per unit (Rs/kWh)	0.03	0.02
BST (Rs/kWh)	3.44	3.67

OTHER EXPENSES

Capital Expenditure and GFA

- 1.5 The Nigam has proposed an estimated capital outlay of Rs 358.83 Cr (revised) during FY 2011-12 and Rs 439.04 Cr during FY 2012-13 for distribution system strengthening and loss reduction plan. Capital investment planned for the current and ensuing year is as below:

Table 18 Year wise Investment Plan vs. Approved Outlay (Rs. Cr)

S.	Year	Originally proposed	Approved by the	Revised by the Nigam
----	------	---------------------	-----------------	----------------------

No.		by the Nigam	Commission	
1	FY 2010-11	797.68	797.68	Same as originally filed
2	FY 2011-12	710.71	710.71	358.83
3	FY 2012-13	439.04	-	-

Progress of Capex work for FY 2011-12

- 1.36 The Hon'ble Commission had approved a capital expenditure plan of Rs 710.71 Crores for the FY 2011-12. However, the same was revised downwards to Rs 358.83 Crores in view of the financial situation of the Nigam as well as certain other considerations (detailed in Table below) in the Capital expenditure Plan sent to the Hon'ble Chief Minister's office in October, 2011.

Table 19 Capital expenditure plan for FY 2011-12 (Approved and Revised) (Rs. Crores)

S. No.	Name of the work/Scheme	Original estimate as approved by HERC	Revised Estimate
	AT&C loss reduction		
1	Metering	19.84	19.84
2	DT Metering	29.52	29.52
3	AMR on HT connections	5.00	7.43
4	HVDS on Segregated Agriculture Feeders	250.00	47.71
	Load Growth		
5	33 kV Sub-stations/lines		76.86
6	Augmentation of 33 kV Sub Stations and lines	101.35	18.25
			24.11
7	Bifurcation/Trifurcation of Feeders	10.00	10.00
8	Release of Tube well connections	60.00	60.00
	Reliability improvement		
9	Implementation of R-APDRP (Part-A)	35.00	20.00
10	Implementation of R-APDRP (Part-B)	150.00	10.00
	Infrastructure development		
11	Civil Works	50.00	35.11
	Total	710.71	358.83

Capex Plan for FY 2012-13

- 1.6 The table below shows the outlay plan for FY 2012-13, classified according to different sub-heads for investment as well as their sources of funding.

Table 20: Proposed Capital expenditure plan for FY 2012-13 (Rs. Cr)

S. No	Description	Source of Funding	2012-13				Physical	Remarks
			Loan (70%)	Consumer Contribution	Equity (30%)	Approx. Cost		
1	Creation of New 33 kV substation with	Rural Electrification Corporation	22.68	-	9.72	32.40	11	Details in Annexure-7C of the

S. No	Description	Source of Funding	2012-13				Physical	Remarks
			Loan (70%)	Consumer Contribution	Equity (30%)	Approx. Cost		
	switch house building and allied	(90%)						ARR Petition
2	Augmentation of existing 33 kV substation	Rural Electrification Corporation (90%)	6.44	-	2.76	9.20	10	Details in Annexure-9C of the ARR Petition
3	Erection of new 33 kV lines	Rural Electrification Corporation (90%)	3.15	-	1.35	4.50	76.5 km	Details in Annexure-7C of the ARR Petition
4	Erection of new 11 kV lines	Rural Electrification Corporation (90%)	1.60	-	0.68	2.28	120 km	
5	Augmentation of existing 33 kV lines	Rural Electrification Corporation (90%)	1.05	-	0.45	1.50	30.4 km	Details in Annexure-9D of the ARR Petition
6	Bi/Trifurcation of 11 kV feeders having more than 150 Amps load	Rural Electrification Corporation (90%)	6.30	-	2.70	9.00	300	
7	Tube well connections	Deposit Work		105.00	45.00	150.00	30000	
8	R-APDRP (Part-A)	Power Finance Corporation (75%)	17.61	-	7.55	25.16		
9	R-APDRP (Part-B) - 20 towns	Power Finance Corporation (25%) and KfW (75%)	140.00	-	60.00	200.00		
10	Civil Works - O&M	Departmental - UHBVNL	3.50	-	1.50	5.00		
	TOTAL		202.33	105.00	131.71	439.04*		

*The above proposed capital expenditure plan for FY 2012-13 does not include spillover from FY 2011-12.

Funding for Capital Expenditure

1.7 The capital outlay in FY 2011-12 has been revised downwards from Rs 710.71 Crores approved by the HERC to Rs 358.83 Crores. For FY 2012-13, the capital expenditure is projected to be Rs 439.04 Crores.

1.8 The following table shows the funding options for the proposed capital expenditure plan. Assumptions have been made on the following basis:

- (a) Financing through customer contribution is taken to be Rs 105 Crores corresponding to the estimated cost of tube well connections;

- (b) Equity investments are proposed to be around 30% of the remaining project cost, amounting to Rs 131.71 Crores; and
- (c) The remaining balance of Rs 202.33 Crores is to be financed through debt.

Table 21: Funding Sources for the Capex Addition (Rs. Cr)

Particulars	Previous Year (Actual)	Current Year (Estimated)	Ensuing Year (Projected)
	FY 2010-11	FY 2011-12	FY 2012-13
Total Capital Outlay	797.68	358.83	439.04
Funding			
Equity (including share application money)	96.09	173.00	131.71
Consumer Contribution	84.04	77.78	105.00
Grants for Capital Expenditure	0.00	0.00	0.00
Loans from FI/Banks/etc	617.56	108.05	202.33
Total Funding	797.68	358.83	439.04

Capital Work in Progress

1.37 Capital work in progress (CWIP) has been calculated as shown below:

Table 22: Summary of CWIP (Rs. Cr)

S. No.	Particulars	Previous Year (Actual)	Current Year (Estimated)	Ensuing Year (Projected)
		FY 2010-11	FY 2011-12	FY 2012-13
1	Opening Balance of CWIP	1457	943	108
2	Additions during the year			
3	Loan funds	618	108	202
4	Equity	96	173	132
5	Government Grants (APDP + MP grants)	0	0	0
6	Consumer Contribution	84	78	105
7	Expenses capitalized	208	345	374
8	Total funds (3+4+5+6+7)	1005	704	813
9	Transfer to GFA (1+8-10)	1311	1194	415
10	Closing balance of CWIP	943	108	132

1.38 Capitalization of assets is assumed to be based on the following asset capitalisation schedule.

Table 23: Capitalisation Schedule

Details of Capitalization	2010-11	2011-12	2012-13
Percentage of Total Capex transferred to Fixed Asset	70%	70%	70%
Percentage of Total Capex transferred to CWIP	30%	30%	30%

Gross Fixed Asset

1.39 The following table shows the opening balance, addition and deletions in the fixed assets.

Table 24: Summary of GFA (Rs. Cr)

Particulars	Previous Year (Actual) FY 2010-11	Current Year (Estimated) FY 2011-12	Ensuing Year (Projected) FY 2012-13
Opening Balance	3124.4	4435.9	5520.1
Direct additions to GFA	-68.0	251.2	307.3
Transfer from CWIP (Including Exp capitalised) during the year	1457.0	943.3	107.6
Total	45135	5630.3	5935.1
Less :			
Retirement/ Disposal of assets	77.6	110.2	137.1
Net GFA at the end of the year	4435.9	5520.1	5798.0
Less: Total Assets funded from Consumer Contribution	379.7	457.5	562.5
GFA net of Consumer Contribution	4056.1	5062.6	5235.5

1.40 Asset-wise addition to GFA has been projected on the actual pattern of additions in FY 2010-11. The following table shows the break up of assets added during the projected years:

Table 25: Asset wise additions (Rs. Cr)

Asset Type	Previous Year (Actual) FY 2010-11	Current Year (Estimated) FY 2011-12	Ensuing Year (Projected) FY 2012-13
Land	1.2	6.3	2.2
Buildings and Civil Structures	51.1	34.5	12.0
Transmission/ Distribution System	1335.0	1147.9	398.8
Vehicles	1.0	1.3	0.5
Furniture & Fixtures	1.7	4.4	1.5
Total	1389.0	1194.4	415.0

Interest & Finance Charges

1.41 Interest expenses represent interest on loans taken to finance capital investment programs and to support working capital. For capex loans, the existing interest rates of lending institutions have been used to calculate the interest cost.

1.42 With respect to existing loans, the details of interest on existing loans are based on the actual. With respect to new loans, interest charged is based on current market conditions.

1.43 Total net interest expense (after capitalization) is projected to be Rs 1239.38 Cr for FY 2011-12 and Rs 1331.32 Cr for FY 2012-13, as shown below:

Table 26: Interest & Finance Charges (Rs. Cr)

S. No.	Particulars	Previous Year	Current Year	Ensuing Year
		(Actual) FY 2010-11	(Estimated) FY 2011-12	(Projected) FY 2012-13
1	Interest & Finance Charges	932.35	1568.14	1684.47
2	Less: Interest Capitalized	195.47	328.77	353.16
	Net Interest and Finance Charges	736.88	1239.38	1331.32

Depreciation

1.44 The Nigam has proposed depreciation charges of Rs 93 Cr, Rs 135.43 Cr and Rs 163.32 Cr for FY 2010-11, FY 2011-12 and FY 2012-13 respectively.

Operation & Maintenance Expenses

1.45 UHBVNL has estimated its O&M expenses (net of capitalization) for FY 2012-13 at Rs. 924.14 Cr. The actual O&M expenses for FY 2010-11 are Rs 595.95 Cr.

Table 27: Summary of O&M Expenses (Rs. Cr)

Particulars	Previous Year	Current Year	Ensuing Year
	(Actual) FY 2010-11	(Estimated) FY 2011-12	(Projected) FY 2012-13
R&M Expenses	36.31	99.56	113.18
Employee cost	516.90	628.34	757.35
A&G Expenses	55.00	62.43	71.25
Less: Expenses capitalized	12.24	14.74	17.64
Total O&M Cost (Net)	595.95	775.59	924.14

1.46 Increase in O&M expenses from FY 2010-11 to FY 2012-13 has mainly been on account of the following factors:

- (d) Increased Repair and & Maintenance cost as a result of increase in Gross Fixed Assets of the Nigam;
- (e) Increase in the working employee strength in FY 2011-12 and FY 2012-13; and
- (f) Inflationary impact.

Employee Cost

1.47 UHBVNL has implemented the recommendations of the Sixth Pay Commission w.e.f. FY 2009-10 and employees have started drawing salaries as per the new pay scales from April 2009. Of the total arrears of approximately Rs. 150 Cr, 40% of the same (amounting to Rs. 60 Cr) was paid out during FY 2008-09 while the balance 60% arrears amounting to Rs. 90 Cr were paid out equally during FY 2009-10 and FY 2010-11, with the total impact being Rs 45 Cr in each of the two years.

1.48 Details of employee cost in FY 2010-11, FY 2011-12 and FY 2012-13 are given in the table below:

Table 28: Employee Cost (Rs. Cr)

Particulars	Previous Year	Current Year	Ensuing Year
	(Actual) FY 2010-11	(Estimated) FY 2011-12	(Projected) FY 2012-13
1 Salaries	271.82	318.92	375.43
2 Dearness Allowance	92.90	149.89	213.99
3 Other Allowances & Relief	33.95	40.12	47.23
4 Medical Expenses Reimbursement	2.89	3.13	3.40
5 Leave Travel Assistance	2.05	2.05	2.05
6 Fee & Honorarium	0.52	0.00	0.00
7 Incentives/Awards			
8 Earned Leave Encashment	0.07	0.07	0.07
9 Tuition Fee Re-Imbursement			
10 Leave Salary Contribution	0.02	0.02	0.02
11 Payment Under Workman's Compensation And Gratuity	0.14	0.14	0.15
12 Subsidised Electricity To Employees	2.93	2.98	3.03
13 Staff Welfare Expenses	8.39	9.16	10.00
Total B	415.68	526.75	655.36
Payment/Contribution To PF Staff Pension And Gratuity			
1 Terminal Benefits	100.89	100.89	100.89
a) Provident Fund Contribution	-	-	-
b) Provision for PF Fund - Invested	-	-	-
- Not Invested	-	-	-
c) Pension Payments	0.03	0.03	0.03
d) Gratuity Payment	-	-	-
e) Leave Encashment Payment	-	-	-
2 Any Other Items	-	-	-
Total D	100.92	100.93	100.93
Bonus/Ex-gratia to Employees	0.29	0.00	0.00
Grand Total	516.90	628.34	757.35
Chargeable To Construction Works	10.48	12.74	15.36
Net Employee Expenses	506.42	615.60	742.00

Repair & Maintenance Expenses

1.49 Repair & Maintenance cost is meant for the upkeep of the system. R&M expenses have been calculated to be 2% of the Gross Fixed Assets of the Nigam, as per the Regulations notified by the Hon'ble Commission. R&M expenses are thus estimated to be Rs 99.56 Cr and Rs 113.18 Cr for FY 2010-11 and FY 2011-12 respectively.

Table 29: Repairs & Maintenance Expenses (Rs. Cr)

S.No.	Particulars	Previous Year	Current Year	Ensuing Year
		(Actual) FY 2010-11	(Estimated) FY 2011-12	(Projected) FY 2012-13
1	Plant and Machinery	20.54	58.78	66.82
2	Building	2.27	4.58	5.21
3	Civil Works	0.00	0.00	0.01
4	Transformers and sub-stations			
5	Lines, Cables Net Works etc.	12.69	34.08	38.74
6	Vehicles	0.74	1.95	2.22
7	Furniture and Fixtures	0.00	0.02	0.02
8	Office Equipments	0.05	0.15	0.17
9	Spare Inventory for maintaining Transformer redundancy			
10	Sub-station maintenance by private agencies			
11	Any other items (Capitalisation)			
	Total	36.31	99.56	113.18

Administration & General Expenses

1.50 The Nigam has projected A&G expenses for FY 2011-12 and FY 2012-13 based upon the actual A&G expenses in FY 2010-11, trends in previous years, inflation and various other factors which are not under the direct control of the Nigam.

Table 30: A&G Expenses (Rs. Cr)

S. No.	Particulars	Previous Year	Current Year	Ensuing Year
		(Actual) FY 2010-11	(Estimated) FY 2011-12	(Projected) FY 2012-13
A)	Administration Expenses			
1	Rent, rates and taxes (Other than all taxes on income and profit)	2.69	2.94	3.23
2	Insurance of employees, assets, legal liability	0.55	0.66	0.79
3	Telephone, Postage, Telegram, Internet Charges	1.71	1.84	2.19
4	Incentive & Award To Employees/Outsiders			
5	Legal, Professional and Consultancy fee	4.32	5.18	6.22
6	Conveyance And Travel (vehicle hiring, running)	12.74	14.76	17.16
7	Service Charges Paid To Outside Agencies	22.14	24.33	26.74
8	HERC Fee / Regulatory Expenses	1.00	1.10	1.21
	Sub-Total of Administrative Expenses	45.14	50.82	57.53
B)	Other Charges			
1	Fee And Subscriptions Books And Periodicals			
2	Printing And Stationery	2.60	3.12	3.74
3	Advertisement Expenses (Other Than Purchase Related) Exhibition & Demo.	0.70	0.76	0.81
4	Electricity & Water Charges To Offices	3.12	3.56	4.07
5	Any Other expenses	2.35	2.99	3.79

S. No.	Particulars	Previous Year (Actual) FY 2010-11	Current Year (Estimated) FY 2011-12	Ensuing Year (Projected) FY 2012-13
	Sub-Total of other charges	8.77	10.42	12.41
C)	Auditor's Fee	0.01	0.01	0.01
D)	Store/Material Related Expenses	1.07	1.18	1.30
E)	Taxes	0.01	0.01	0.01
F)	Total Charges	55.00	62.43	71.25
G)	Total Charges Chargeable To Capital Works	1.77	2.00	2.29
H)	Total Charges Chargeable to Revenue Expenses	53.23	60.42	68.96

Reasonable Return / Return on Equity

- 1.51 The Nigam requests the Commission to provide a return on the equity at a rate of 14% as specified in Regulation 16 of the Tariff Regulation. This will be helpful in improving the financial health of the Nigam.
- 1.52 Reasonable return for UHBVNL amounts to Rs. 223.64 Cr for FY 2011-12 based on equity of Rs. 1597.41 Cr. For FY 2012-13, a reasonable return of Rs. 242.08 Cr against equity of Rs. 1729.12 Cr.
- 1.53 The Nigam requests the Commission to approve reasonable return/return on equity.

Table 31: Reasonable Return on Equity (Rs. Crores)

Particulars	Rate of Return	Current Year (Estimated) FY 2011-12	Ensuing Year (Projected) FY 2012-13
Shareholders' Funds			
Share Capital		1597.41	1729.12
Total Equity		1597.41	1729.12
Return as % of Equity	14%	223.64	242.08

Other Debits

- 1.54 Other debits basically include cost of trading activities, provision for doubtful debts, misc. losses and write-off etc.
- 1.55 The Nigam has made nominal assumptions for loss or obsolescence of stores, provision for amount of theft of property pending investigation, deferred revenue expenditure written off, etc. Details of other debits proposed by the Nigam for FY 2011-12 and FY 2012-13 are given below:

Table 32: Other Debits (Rs Cr)

S. No.	Particulars	Previous Year (Actual) FY 2010-11	Current Year (Estimated) FY 2011-12	Ensuing Year (Projected) FY 2012-13
1	Material Cost Variance			
2	Miscellaneous Losses And Written Off	6.95	6.95	6.95
3	Bad Debt Written Off / Provided For	0.11	0.12	0.13
4	Compensation for injury, death and damage	1.56	1.72	1.89
5	Infructuous Capital Expenditure Written Off	0.00	0.00	0.00
6	Loss of Obsolescence of Assets & Stores	0.52	0.59	0.66
7	Provision for amount recoverable from employees	0.03	0.03	0.04
8	Provision for amount of theft of property pending Investigation	0.33	0.40	0.48
9	Deferred Revenue expenditure Written Off	0.08	0.08	0.08
10	Provision for Bad & Doubtful Debts Others	7.11	0.00	0.00
11	Loss on sale of scrap	0.02	0.02	0.02
	Sub-Total	16.72	9.90	10.25
12	Less Chargeable To Capital Expense	0	0	0
	Net Chargeable To Revenue	16.72	9.90	10.25

Total Expenditure

1.56 The total expenditure of the Nigam amounts to Rs 7207.77 Cr for FY 2010-11, Rs 9175.92 Cr for FY 2011-12 and Rs 11919.01 Cr for FY 2012-13, as shown below:

Table 33: Total Expenditure (Rs Cr)

S. No.	Particulars	Previous Year (Actual) FY 2010-11	Current Year (Estimated) FY 2011-12	Ensuing Year (Projected) FY 2012-13
1	Purchase of Power from Own Stations	5626.03	7015.61	9489.96
2	Purchase of Power from Other Sources			
3	Intra-State Transmission Charges			
4	R&M Expense	36.31	99.56	113.18
5	Employee Expenses	516.90	628.34	757.35
6	A&G Expense	54.99	62.43	71.25
7	Net Prior Period Expenses	139.18	0.00	0.00
8	Other Debits (including Provision for Bad debts)	16.72	9.90	10.25
9	Depreciation	93.00	135.43	163.32
10	Interest & Finance Charges (Gross)	932.35	1568.14	1697.82
11	Less: Interest charges capitalized	195.47	328.77	353.16
12	Less: Other expenses capitalized	12.24	14.74	17.64
	Total	7207.77	9175.91	11919.01

Special Appropriation: True up on account of Employee Cost

- 1.57 The Nigam also submits to the Hon'ble Commission that due to implementation of the Sixth Pay Commission there has been a substantial hike in pay related employee expense of the Nigam. As mentioned earlier, employees started drawing salaries in accordance with the Sixth Pay Commission recommendations from FY 2008-09. However, in its ARR filing for FY 2010-11, the Nigam could only project the best possible estimates in those circumstances. Hence, the Nigam requests the Commission to allow the difference in actual employee cost incurred and the amount approved earlier by the Commission for FY 2010-11, to the extent shown below:

Table 34 Statement showing variance in Employee Cost excluding Terminal Benefits (Rs Cr)

Particulars	Previous Year (Actual)	Current Year (Estimated)	Ensuing Year (Projected)
	FY 2010-11	FY 2011-12	FY 2012-13
Basic Salary + DP	259.59	364.72	105.13
Dearness Allowance			
Other Allowances	33.38	51.28	17.91
Total (without terminal benefits)	292.97	416.00	123.04
Less: Employee cost capitalized	10.02	10.48	0.45
Add: Arrears	45.00		
Net Employee Cost	282.94	405.53	122.58

Non-Tariff and Other Income

- 1.58 Non-Tariff Income except delayed payment surcharge and meter rent has been calculated by considering a year on year increase of 10 or 15% keeping in view recent trends of increase in Non Tariff Income. Delayed payment surcharge has been projected on the basis of percentage realization of accounted delayed payment surcharge. Although the accounted value of the delayed payment surcharge is quite high, the realization observed is quite low. Meter rent has been computed on the basis of estimated addition to consumer base.
- 1.59 No projection has been made for holding cost of FSA, since neither any revenue nor any expenditure on account of FSA is being included in the ARR review process. All claims relating to FSA would be submitted to the Commission separately for consideration as part of the separate FSA review.

Table 35: Non-Tariff Income (Rs. Cr)

S. No.	Particulars	Previous Year (Actual)	Current Year (Estimated)	Ensuing Year (Projected)
		FY 2010-11	FY 2011-12	FY 2012-13
A	Income from Investment, Fixed & Call Deposits			
1	Interest Income from Investments	2.45	2.45	2.45
2	Interest on fixed deposits	4.08	5.30	6.89
A	Sub-Total	6.53	7.75	9.34
B	Non Tariff Income			

S. No.	Particulars	Previous Year	Current Year	Ensuing Year
		(Actual) FY 2010-11	(Estimated) FY 2011-12	(Projected) FY 2012-13
1	Interest on loans and Advances to staff	2.69	3.09	3.56
5	Income from Trading (other than Electricity)	1.05	1.05	1.05
7	Income/Fee/Collection against staff welfare activities	0.07	0.08	0.09
8	Miscellaneous receipts	34.58	38.04	41.84
9	Delayed payment charges from consumers	16.62	24.23	33.10
10	Meter Rent	21.97	22.62	23.30
11	Recovery from theft of energy	12.61	14.50	16.67
14	Misc. charges from consumers	27.94	30.74	33.81
17	Income from Other Business	9.23	10.16	11.17
22	Excess found on physical verification of Stock	0.18	0.19	0.20
24	Discount for timely payment of Energy Charges	35.13	35.13	35.13
B	Sub-Total	162.07	179.82	199.91
	TOTAL (A+B)	168.59	187.57	209.25

Accumulated Gap on account of Regulatory Assets

- 1.60 In its previous ARR & Tariff Orders, the Hon'ble Commission has allowed certain regulatory assets to the Nigam in view of the large unmet revenue gap which was not addressed through an adequate tariff hike. As per the ARR & Tariff Order of FY 2011-12, the accumulated revenue gap of UHBVNL that remained unaddressed even after the tariff hike notified via the ARR & Tariff Order of FY 2010-11 was as substantial as Rs 1553.25 Crores.
- 1.61 The Nigam requests the Commission to allow this entire amount as working capital borrowing in subsequent years, since the Nigam currently has no other means but to take short term loans in order to meet this huge deficit.
- 1.62 At the same time, the Nigam wishes to emphasize on the fact that due to its heavily constrained financial situation, the Nigam is not able to raise funds through borrowing since banks are not willing to lend to the Nigam in view of its poor financial health. Hence, the Nigam requests the Commission to approve an adequate tariff hike to address the current as well as past revenue gap so as to provide the Nigam the much-needed revenue to meet its operating expenses.
- 1.63 Clause 8.2.2 of the National Tariff Policy also categorically mandates that regulatory assets should not be carried forward for more than three years, and that the carrying cost of regulatory assets (i.e. the working capital borrowing) should be allowed to the utilities.

“8.2.2. The facility of a regulatory asset has been adopted by some Regulatory Commissions in the past to limit tariff impact in a particular year. This should be done only as exception, and subject to the following guidelines:

a. The circumstances should be clearly defined through regulations, and should only include natural causes or force majeure conditions. Under business as usual

conditions, the opening balances of uncovered gap must be covered through transition financing arrangement or capital restructuring;

b. Carrying cost of Regulatory Asset should be allowed to the utilities;

c. Recovery of Regulatory Asset should be time-bound and within a period not exceeding three years at the most and preferably within control period;

d. The use of the facility of Regulatory Asset should not be repetitive.

e. In cases where regulatory asset is proposed to be adopted, it should be ensured that the return on equity should not become unreasonably low in any year so that the capability of the licensee to borrow is not adversely affected.”

- 1.64 It may be noted that the Nigam needs nearly a 45% hike to sufficiently recover the current and past revenue gaps.

True up for Past Years in compliance with APTEL Order

- 1.65 In its judgment in Appeal No. 204 of 2010 (Faridabad Industrial Association vs HERC & Others) dated 11 August 2011, the Hon'ble Appellate Tribunal for Electricity (APTEL) has directed the Commission to immediately initiate true up of financials including capital expenditure, depreciation, interest and finance charges, O&M expenses, etc. of the distribution licensees from FY 2008-09 to FY 2010-11.

- 1.66 The table below provides an overview of the difference between the approved expenditure for the years under consideration vis-à-vis the actual expenditure incurred by the Nigam, under all heads except power purchase cost and employee cost since these two are already trued up by the Commission in the form of FSA and special appropriations respectively. Subject to prudence checks by the Commission, it is requested that this difference in approved and actual expenditure may be allowed to the Nigam to the extent decided by the Commission.

Table 36 True up for FY 2008-09, FY 2009-10 and FY 2010-11 as per APTEL Order (Rs. Cr)

2008-09			
Particulars*	Approved Expenditure	Actual Expenditure	Difference to be true up
R&M Expenses	65.14	35.40	-29.74
A&G Expenses	27.74	37.85	10.12
Interest cost on borrowings	79.40	342.38	262.98
Depreciation	139.14	78.40	-60.74
Other Expenditure	0.00	400.76	400.76
Income Tax / FBT provisions	0.49	0.64	0.15
Net Prior Period Expenses	21.15	110.84	89.69
Total	333.06	1006.27	673.21
Capital Expenditure	541.96	638.74	96.78
2009-10			
Particulars*	Approved Expenditure	Actual Expenditure	Difference

R&M Expenses	48.65	46.04	-2.60
A&G Expenses	37.99	43.21	5.22
Interest cost on borrowings:	105.24	524.50	419.26
Depreciation	128.10	109.74	-18.36
Other Expenditure	0.00	9.50	9.50
Income Tax / FBT provisions	0.64	0.00	-0.64
Net Prior Period Expenses	0.00	28.08	28.08
Total	320.61	761.08	440.46
Capital Expenditure (Revised; as assessed in ARR Order for FY 2010-11)	878.46	1497.85	619.39
2010-11			
Particulars*	Approved Expenditure	Actual Expenditure	Difference
R&M Expenses	63.49	36.31	-27.18
A&G Expenses	45.80	53.23	7.43
Interest cost on borrowings:	192.37	736.81	544.44
Depreciation	159.83	93.00	-66.83
Other Expenditure	0.00	16.72	16.72
Income Tax / FBT provisions	0.00	0.00	0.00
Net Prior Period Expenses	0.00	29.25	29.25
Total	461.49	965.31	503.82
Capital Expenditure (Revised; as assessed in ARR Order for FY 2009-10)	814.73	797.65	-17.08
Total Expenses claimed for True Up	1115.16	2732.66	1617.50

* Not including power purchase cost and employee cost since these are trued up (in case of FY 2008-09 and FY 2009-10) or are proposed to be true up (in case of FY 2010-11)

Aggregate Revenue Requirement

1.67 The following table summarizes the aggregate revenue requirement for FY 2010-11, FY 2011-12 and FY 2012-13.

Table 37: Summary of Aggregate Revenue Requirement (Rs. Cr)

S. No.	Particulars	Previous Year (Actual) FY 2010-11	Current Year (Estimated) FY 2011-12	Ensuing Year (Projected) FY 2012-13
	Power Purchase (MU)	15955	20366	25839
	Sale of Power outside State (MU)	701	3550	7100
	Sale of Power within State (MU)	11592	13116	14617
	Distribution Loss %	24.0%	22.0%	22.0%
1	Receipts			
a	Revenue from sale of power & Misc. Charges	3335.83	4845.24	6635.24
b	Revenue subsidy from Govt. (excl FSA subsidy)	1763.59	1998.78	1998.78 [#]
c	Revenue against regulatory assets	1979.12	0.00	0.00
	Total Receipts	7078.54	6844.02	8634.02
2	Expenditure			
a	Purchase of Power from Own Stations	5626.03	7015.61*	9489.98*

S. No.	Particulars	Previous Year (Actual) FY 2010-11	Current Year (Estimated) FY 2011-12	Ensuing Year (Projected) FY 2012-13
b	Purchase of Power from Other Sources			
c	Intra-State Transmission Charges			
d	R&M Expense	36.31	99.56	113.18
e	Employee Expenses	516.90	628.34	757.35
f	A&G Expense	54.99	62.43	71.25
g	Depreciation	93.00	135.43	163.32
h	Interest & Finance Charges	932.35	1568.14	1684.47
i	Less: Interest & other expenses capitalized	207.71	343.51	370.80
j	Other Debits (including Provision for Bad debts)	16.72	9.90	10.25
k	Extraordinary Items	0.00	0.00	0.00
l	Other (Misc) - Net prior period expenses	139.18	0.00	0.00
	Total	7207.77	9175.91	11919.01
3	Reasonable Return		223.64	242.08
4	Other Income		-	-
5	Annual Revenue Requirement (2)+(3)-(4)	7207.77	9399.55	12161.08
6	Revenue Gap for the Year	-129.23	-2555.53	-3527.07*
7	Extraordinary Items (True up of Terminal Benefits for FY 2010-11)			-171.15
8	True up for employee cost (except terminal benefits) for FY 2010-11			122.58
9	Surplus(+) / Shortfall (-) after Adjusting for Past True Up	-129.23	-1772.26	-3478.50
10	Implementation of APTEL judgment in Appeal 204 of 2010			
	True up of expenses for 2008-09			673.21
	True up of expenses for 2009-10			440.46
	True up of expenses for 2010-11			503.83
	Total True up of Expenses and Revenue on account of APTEL judgment			1617.50
11	Consolidated Revenue Gap at the end of FY 2012-13	(9) - (10)		-5096.00

* The revenue gap may be addressed through an appropriate Tariff Order.

Consolidated Revenue Gap and Tariff Proposal

1.68 The table below shows the cumulative revenue gap faced by the Nigam, which includes the revenue gap projected for FY 2012-13 along with true-up of Employee Cost and Terminal Benefits for FY 2010-11 and true up of other expenses (except power purchase cost and employee cost) of FY 2008-09, FY 2009-10 and FY 2010-11 as per the directions given by Hon'ble APTEL in Appeal 204 of 2010.

Table 38: Consolidated Revenue Gap (Rs Cr)

S. No.	Description	Current Year (Estimated) FY 2011-12	Ensuing Year (Projected) FY 2012-13
A	Aggregate Revenue Requirement	9399.55	12161.08
B	Revenue from Tariff and Other Miscellaneous Charges	4845.24	6635.24
C	Subsidy by Government of Haryana	1998.78	1998.78
D	Net Revenue Gap (A - B - C)	-2555.53	-3527.07
E	True up for Terminal Benefits and Employee Cost for FY 2010-11	0.00	-48.57
F	Surplus(+) / Shortfall (-) after Adjusting for Past True Up (D - E)	-1772.26	-3478.50
G	Implementation of APTEL judgment in Appeal 204 of 2010		1617.50
H	Consolidated Revenue Gap at the end of FY 2012-13¹ (F - G)		-5096.00

- 1.69 **The Nigam is currently working on its tariff proposal and shall submit shortly the tariff proposal for the kind consideration of the Hon'ble Commission.**
- 1.70 Once the tariff proposal is submitted, the Nigam earnestly requests the Hon'ble Commission to approve an adequate tariff hike to allow it to recover the accumulated deficit for FY 2010-11 and FY 2011-12.
- 1.71 Tthe Nigam prays to the Commission to carry out a true up of past expenses (FY 2008-09 to FY 2010-11 as directed by the Hon'ble APTEL in Appeal 204 of 2010) and approve an adequate tariff hike to cover the accumulated revenue gaps of the Nigam and address the poor financial health of the utility. It may be appreciated that the current financial distress of the distribution utilities of Haryana is attributable to a large extent to the electricity tariff being woefully lower than the cost of supply power, thereby rendering the electricity distribution business utterly unviable.

¹ Excluding true up, if any, of revenue gap incurred in FY 2011-12