

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Coram:

1. **Shri A.K.Basu, Chairperson**
2. **Shri Bhanu Bhushan, Member**

**I.A.No. 7/2007 in
Petition No.2/2006**

In the matter of

Approval of transmission charges for Special Energy Meters in Northern Region for the period from 1.4.2004 to 31.3.2009. .

And in the matter of

Power Grid Corporation of India Limited

..Petitioner

Vs

1. Rajasthan Rajya Vidyut Prasaran Nigam Ltd, Jaipur
2. Ajmer Vidyut Vitaran Nigam Ltd., Ajmer
3. Jaipur Vidyut Vitaran Nigam Ltd,Jaipur
4. Jodhpur Vidyut Vitaran Nigam Ltd, Jodhpur
5. Himachal Pradesh State Electricity Board, Shimla
6. Punjab State Electricity Board, Patiala
7. Haryana Vidyut Prasaran Nigam Ltd, Panchkula
8. Power Development Department, Govt. of J&K, Srinagar
9. Uttar Pradesh Power Corporation Ltd., Lucknow
10. Delhi Transco Ltd, New Delhi
11. Chandigarh Administration, Chandigarh
12. Uttranchal Power Corporation Ltd, Dehradun
13. North Central Railway, Allahabad

.....Respondents

ORDER

The Commission by its order dated 9.5.2006 had allowed tariff for for Special Energy Meters in Northern Region for the period from 1.4.2004 to 31.3.2009.

2. The Commission in its said order dated 9.5.2006, had not considered additional capitalization for the year 2004-05 claimed by the petitioner though the expenditure was found to be admissible. The tariff for the block years 2004-09 was worked out on the basis of gross block as on 1.4.2004 since by that time the petitioner had not furnished the details of loan reconciliation for the year 2004-05.

The petitioner was granted liberty to approach the Commission for revision of tariff for the period 2004-09 in accordance with law based on additional capital expenditure incurred during 2004-05, after it had furnished the loan reconciliation statement for the year 2004-05.

3. Through this interlocutory application, petitioner has prayed for revision of tariff based on additional capitalization incurred during 2004-05, after filing of the loan reconciliation statement for the year 2004-05.

CAPITAL COST

4. The petitioner has claimed tariff based on capital cost of Rs. 668.71 lakh after accounting for additional capitalization of Rs. 16.88 lakh for the period from 1.4.2004 to 31.3.2005 already approved, over the capital expenditure of Rs. 651.83 lakh considered in the order dated 9.5.2006 in Petition No. 2/2006.

DEBT- EQUITY RATIO

5. Clause (1) of Regulation 54 of the 2004 regulations *inter alia* provides that,-

“(1) In case of the existing projects, debt–equity ratio Considered by the Commission for fixation of tariff for the period ending 31.3.2004 shall be considered for determination of tariff with effect from 01.04.2004:

Provided that in cases where the tariff for the period ending 31.3.2004 has not been determined by the Commission, debt-equity ratio shall be as may be decided by the Commission:

Provided further that in case of the existing projects where additional capitalisation has been completed on or after 1.4.2004 and admitted by the Commission under Regulation 53, equity in the additional capitalisation to be considered shall be :-

- (a) 30% of the additional capital expenditure admitted by the Commission, or
 - (b) equity approved by the competent authority in the financial package, for additional capitalisation, or
 - (c) actual equity employed,
- whichever is the least:

Provided further that in case of additional expenditure admitted under the second proviso, the Commission may considered equity of more than 30% if the transmission licensee is able to satisfy the Commission that deployment of such equity of more than 30% was in the interest of general public.

6. The Note 1 below Regulation 53 lays down that any expenditure on account of committed liabilities within the original scope of work is to be serviced in the normative debt-equity ratio specified in Regulation 54.

7. We have considered debt-equity ratio as per the order dated 9.5.2006, as the base. The petitioner has considered the entire amount of additional capitalization against equity. The additional capital expenditure on works of Rs. 16.88 lakh for the year 2004-05 has been segregated in the normative debt-equity ratio of 70:30 in accordance with Notice 1 below Regulations 53. Accordingly, an amount of Rs. 11.82 lakh has been aggregated to loan and Rs. 5.06 lakh to equity. For the purpose of tariff, an amount of Rs.433.95 lakh has been considered as equity as on 1.4.2005. The resultant debt-equity ratio works out to 35.11:64.89. Based on this, the tariff approved under order dated 9.5.2006 is being revised.

RETURN ON EQUITY

8. After accounting for additional equity of Rs. 5.06 lakh on account of additional capital expenditure for the year 2004-05, equity of Rs. 428.89 lakh has been considered as on 1.4.2004 and from 1.4.2005 onwards, equity of Rs. 433.95 lakh has been considered each year. However, return on equity for the year 1.4.2004 to 31.3.2005 has been allowed on average equity of Rs. 431.42 lakh. Accordingly, the petitioner shall be entitled to return on equity of Rs. 60.40 lakh during 2004-05 and Rs. 60.75 lakh each year during 2005-09.

INTEREST ON LOAN

9. Based on the revised capital cost, the year-wise details of interest on loan worked out are given hereunder:

(Rs. in lakh)

Details of loan	2004-05	2005-06	2006-07	2007-08	2008-09
Interest on Loan					
Gross loan as per last order	224.94				
Addition due to Additional capitalization	11.82				
Gross Normative Loan	222.94	234.76	234.76	234.76	234.76
Repayment during the year	39.62	40.12	40.12	40.12	40.12
Net Loan-Closing	195.14	155.02	114.89	74.77	34.65
Average Loan	209.04	175.08	134.96	94.83	54.71
Weighted Average Rate of Interest on Loan	8.9471%	8.9313%	8.9198%	8.9165%	8.9124%
Interest	18.70	15.64	12.04	8.46	4.88

10. The necessary details in support of computation of interest on loan are contained in Annexure I attached.

DEPRECIATION

11. Depreciation works out to Rs. 39.62 lakh for the year 2004-05 on average gross block of Rs. 660.37 lakh and Rs. 40.12 lakh on gross block of Rs. 668.71 lakh each year by applying rate of depreciation of 6.00%, respectively as shown below:

(Rs. in lakh)

Details of Depreciation		2004-05	2005-06	2006-07	2007-08	2008-09
As per last order		651.83				
Additions during 2004-05 due to Additional Capitalisation		16.88				
Gross Block at the end of the year		668.71	668.71	668.71	668.71	668.71
Rate of Depreciation		6.00%	6.00%	6.00%	6.00%	6.00%
Depreciable Value	90%	586.65	601.84	601.84	601.84	601.84
Balance Useful life of the asset		-	-	-	-	-
Remaining Depreciable Value		520.77	481.15	441.03	400.91	360.79
Depreciation		39.62	40.12	40.12	40.12	40.12

ADVANCE AGAINST DEPRECIATION

12. The petitioner is not entitled to Advance Against Depreciation.

OPERATION & MAINTENANCE EXPENSES

13. There is no change in O & M expenses approved under order dated 9.5.2006.

INTEREST ON WORKING CAPITAL

14. The revised computations in support of interest on working capital consequent to increase in return on equity, interest on loan and depreciation are appended hereinbelow.

(Rs. in lakh)

	2004-05	2005-06	2006-07	2007-08	2008-09
Maintenance Spares	6.79	7.20	7.63	8.09	8.57
O & M expenses	1.70	1.77	1.21	1.26	1.31
Receivables	23.74	23.51	21.76	21.26	20.77
Total	32.23	32.48	30.60	30.61	30.65
Rate of Interest	10.25%	10.25%	10.25%	10.25%	10.25%
Interest	3.30	3.33	3.14	3.14	3.14

TRANSMISSION CHARGES

15. A summary sheet showing the revised basic details of capital cost and other related aspects is annexed as Annexure II to this order. The revised transmission charges being allowed for the Special Energy Meters in suppression of the transmission charges approved under order dated 9.5.2006 are summarised below.

(Rs. In lakh)

	2004-05	2005-06	2006-07	2007-08	2008-09
Depreciation	39.62	40.12	40.12	40.12	40.12
Interest on Loan	18.70	15.64	12.04	8.46	4.88
Return on Equity	60.40	60.75	60.75	60.75	60.75
Advance against Depreciation	0.00	0.00	0.00	0.00	0.00
Interest on Working Capital	3.30	3.33	3.14	3.14	3.14
O & M Expenses	20.42	21.24	14.53	15.11	15.71
Total	142.44	141.08	130.58	127.58	124.60

16. In all other respects the order dated 9.5.2006 shall continue to apply.

17. This order disposes of I.A.No.7/2007.

Sd-/
(BHANU BHUSHAN)
MEMBER

sd-/
(ASHOK BASU)
CHAIRPERSON

New Delhi dated the 12th March 2007

Annexure I

CALCULATION OF WEIGHTED AVERAGE RATE OF INTEREST ON LOAN						
(Rs. in Lakh)						
	Details of Loan	2004-05	2005-06	2006-07	2007-08	2008-09
1	Bond-X					
	Net Loan-Opening	13.00	11.92	10.83	9.75	8.67
	Repayment during the year	1.08	1.08	1.08	1.08	1.08
	Net Loan-Closing	11.92	10.83	9.75	8.67	7.58
	Average Loan	12.46	11.38	10.29	9.21	8.13
	Rate of Interest	10.90%	10.90%	10.90%	10.90%	10.90%
	Interest	1.36	1.24	1.12	1.00	0.89
	Rep Schedule	12 Annual Instalments from 21.6.2004				
2	Bond XIII Option-I (Date of Drawl 31.7.02)					
	Net Loan-Opening	101.00	101.00	101.00	92.58	84.17
	Repayment during the year	0.00	0.00	8.42	8.42	8.42
	Net Loan-Closing	101.00	101.00	92.58	84.17	75.75
	Average Loan	101.00	101.00	96.79	88.38	79.96
	Rate of Interest	8.63%	8.63%	8.63%	8.63%	8.63%
	Interest	8.72	8.72	8.35	7.63	6.90
	Rep Schedule	12 Annual Instalments from 31.7.2006				
3	Bond-XI Option I					
	Net Loan-Opening	14.00	14.00	12.83	11.67	10.50
	Repayment during the year	0.00	1.17	1.17	1.17	1.17
	Net Loan-Closing	14.00	12.83	11.67	10.50	9.33
	Average Loan	14.00	13.42	12.25	11.08	9.92
	Rate of Interest	9.80%	9.80%	9.80%	9.80%	9.80%
	Interest	1.37	1.31	1.20	1.09	0.97
	Rep Schedule	12 Annual Instalments from 07.12.2005				
4	Oriental Bank of Commerce					
	Net Loan-Opening	7.00	6.42	5.83	5.25	4.67
	Repayment during the year	0.58	0.58	0.58	0.58	0.58
	Net Loan-Closing	6.42	5.83	5.25	4.67	4.08
	Average Loan	6.71	6.13	5.54	4.96	4.38
	Rate of Interest	8.60%	8.60%	8.60%	8.60%	8.60%
	Interest	0.58	0.53	0.48	0.43	0.38
	Rep Schedule	12 Annual Instalments from 22.3.2005				
5	PNB-II					
	Net Loan-Opening	8.00	7.33	6.67	6.00	5.33
	Repayment during the year	0.67	0.67	0.67	0.67	0.67
	Net Loan-Closing	7.33	6.67	6.00	5.33	4.67
	Average Loan	7.67	7.00	6.33	5.67	5.00
	Rate of Interest	8.60%	8.60%	8.60%	8.60%	8.60%
	Interest	0.66	0.60	0.54	0.49	0.43
	Rep Schedule	12 Annual Instalments from 8.3.2005				
6	Bond-XII					
	Net Loan-Opening	1.00	1.00	0.92	0.83	0.75
	Repayment during the year	0.00	0.08	0.08	0.08	0.08
	Net Loan-Closing	1.00	0.92	0.83	0.75	0.67
	Average Loan	1.00	0.96	0.88	0.79	0.71
	Rate of Interest	9.70%	9.70%	9.70%	9.70%	9.70%
	Interest	0.10	0.09	0.08	0.08	0.07

Rep Schedule	12 Annual Instalments from 28.3.2006				
Total Loan					
Net Loan-Opening	144.00	141.67	138.08	126.08	114.08
Repayment during the year	2.33	3.58	12.00	12.00	12.00
Net Loan-Closing	141.67	138.08	126.08	114.08	102.08
Average Loan	142.83	139.88	132.08	120.08	108.08
Rate of Interest	8.9471%	8.9313%	8.9198%	8.9165%	8.9124%
Interest	12.78	12.49	11.78	10.71	9.63

Annexure II

Summary Sheet					
Name of the Company:			PGCIL		
Name of the Element:			Special Energy Meters in Northern Region		
Actual DOCO:			1.5.2002		
Petition No.:			2/2006		
Tariff setting Period:			2004-09		
(Rs. in lakh)					
1	Capital Cost of the Project as on DOCO				572.89
2	Admitted Capital Cost as on 1.4.2004 for Calculation of Debt and Equity				651.83
3	Additional Capitalization during 2004-05 to 2008-09:				16.88
	2004-05			16.88	
	Total			16.88	
4	Total Capital Cost as on 1.4.2004(2+3+4)				668.71
5	Means of Finance¹ :				
		As on 1.4.2004		As on 1.4.2005	
	Debt	34.20%	222.94	35.11%	234.76
	Equity	65.80%	428.89	64.89%	433.95
	Total	100.00%	651.83	100.00%	668.71
6	Gross Loan :				
	As on 1.4.2004	222.94	As on 1.4.2005	234.76	
7	Cumulative Repayment up to 31.3.2009 :				200.11
	Repaid up to 31.3.2004			0.00	
	1.4.2004 to 31.3.2005			39.62	
	1.4.2005 to 31.3.2009			160.49	
	Total			200.11	
8	Balance Loan to be repaid beyond 31.3.2009 :				34.65
9	Depreciation recovered up to 31.3.2009 :				265.98
		Dep		AAD	Total
	Recovered up to 31.3.2004			65.88	65.88
	1.4.2004 to 31.3.2005			39.62	39.62
	1.4.2005 to 31.3.2009			160.49	160.49
	Total				265.98
10	Balance Depreciation to be recovered beyond 31.3.2009 :				335.86
	Capital cost for the purpose of Depreciation			572.89	
	ACE during 2001-02 to 2003-04			78.94	
	Capital cost as 1.4.2004			651.83	
	ACE during 2004-05			16.88	
	Capital cost as 1.4.2005 (a)			668.71	
	Less: Land Cost (b)			0.00	
	(a) - (b)			668.71	
	90% of Capital Cost as above (i.e. 90% of (a) - (b))			601.84	
	Cum. Depreciation to be recovered up to 31.3.2009			265.98	
	Balance Depreciation to be recovered beyond 31. 3.2009			335.86	