

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Coram:

1. **Shri Bhanu Bhushan, Member**
2. **Shri R.Krishnamoorthy, Member**

Petition No. 10/2007

In the matter of

Determination of transmission tariff for 220 kV S/C Meerut-Shatabdinagar transmission line under system improvement scheme in Uttar Pradesh for the period from up to 31.3.2009.

And in the matter of

Power Grid Corporation of India Limited, Gurgaon

..Petitioner

Vs

Uttar Pradesh Power Corporation Limited, Lucknow

.....Respondent

The following were present:

1. Shri P.C.Pankaj, PGCIL
2. Shri U.K. Tyagi, PGCIL
3. Shri Prashant Sharma, PGCIL
4. Shri M.M.Mondal, PGCIL
5. Shri S.N.Singh, UPPCL
6. Shri Ajai Chauhan, UPPCL

**ORDER
(DATE OF HEARING: 29.5.2007)**

The application was made for approval of provisional tariff for 220 kV S/C Meerut-Shatabdinagar transmission line (the petitioner's portion) (the transmission line) under system improvement scheme in Uttar Pradesh (hereinafter referred to as "the transmission scheme") for the period from 1.7.2005 to 31.3.2009, based on the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2004, (hereinafter referred to as "the 2004 regulations") after accounting for additional capitalization of Rs. 9.17 lakh during 2005-06 and Rs. 2.63 lakh during 2006-07. The petitioner also prayed for reimbursement of expenditure incurred towards publishing of notices in newspapers and the petition filing fee from the beneficiaries.

2. The Commission found that the information necessary for determination of final tariff was available on record and, therefore, decided that the present application be considered as the application for determination of final tariff. We are proceeding accordingly.

3. The initial investment approval for the transmission scheme was accorded by the Board of Directors of the petitioner company as per Memorandum dated 14.1.2002 at an estimated cost of Rs.2257 lakh, including IDC of Rs.107 lakh, based on 3rd quarter 2001 price level. Subsequently, because of change in the scope of work, the Board of Directors of the petitioner company revised cost estimate to Rs. 2604 lakh, including IDC of Rs. 197 lakh based on 4th quarter 2004 price level, as per Memorandum dated 17.10.2005.

4. The apportioned approved cost and the estimated completion cost of different assets forming part of the transmission scheme based on the revised cost estimates approved as per Memorandum dated 17.10.2005 are as under:

(Rs. in lakh)			
S.No	Name of the asset	Apportioned approved cost	Completed/anticipated completion cost
1.	220 kV Allahabad-Rewa Road D/C transmission line	187.75	160.53
2.	LILO of Modipuram-Simbholi 220 kV transmission line at Meerut	294.42	283.61
3.	LILO of Modipuram-Nara 220 kV S/C transmission line at Meerut	113.45	107.13
4.	220 kV S/C Allahabad-Phulpur transmission line	1702.32	1495.22
5.	220 kV S/C Meerut-Shatabdinagar transmission line	306.47	342.52
	Total	2604.41	2389.01

DATE OF COMMERCIAL OPERATION

5. The date of commercial operation of the transmission line as claimed by the petitioner is 1.7.2005. The respondent, however, submitted that the transmission line was actually charged on 15.3.2007 and, therefore, tariff should be payable from this date.

6. The petitioner has clarified that complete 220 kV S/C Meerut-Shatabdinagar transmission line was being constructed by it and the respondent. The petitioner was to construct 8.234 km of this transmission line from Meerut end to a `common point` wherefrom it was to be constructed up to Shatabdinagar by the respondent itself. The petitioner has submitted that its portion of this transmission line was ready and test-charged at Meerut end in June 2005. However, construction of the portion from the `common point` to Shatabdinagar was delayed by the respondent, as a consequence of which the transmission line, though ready since 1.7.2005 could not be put to use.

7. It has been noticed that the Board of Directors of the petitioner company approved the revised cost estimate of the transmission scheme by Memorandum dated 17.10.2005, according to which the transmission line was to be completed by December 2005. Under these circumstances, at the hearing on 29.5.2007, it was proposed that the date of commercial operation be taken as 1.1.2006, subject to capitalisation of IDC and IEDC for the period up to 31.12.2005. This was agreed to by the parties. Accordingly, the petitioner under its affidavit dated 14.6.2007, has filed its revised calculations of tariff by further capitalising of IDC and IEDC for the period 1.7.2005 to 31.12.2005. Hereinafter, the references in the order are to the revised claim of the petitioner.

CLAIM OF TARIFF

8. The petitioner has claimed the transmission charges as under:

(Rs. in lakh)

	2005-06 (Pro rata)	2006-07	2007-08	2008-09
Depreciation	2.97	12.15	12.19	12.19
Interest on Loan	4.90	18.74	17.10	15.37
Return on Equity	3.94	16.02	16.08	16.08
Advance against Depreciation	4.97	6.51	6.65	6.65
Interest on Working Capital	0.39	1.33	1.33	1.32
O & M Expenses	0.49	2.03	2.10	2.19
Total	17.66	56.77	55.44	53.79

9. The details submitted by the petitioner in support of its claim for interest on working capital are given hereunder:

(Rs. in lakh)

	2005-06	2006-07	2007-08	2008-09
Maintenance Spares	3.27	3.32	3.52	3.73
O & M expenses	0.16	0.17	0.17	0.18
Receivables	11.77	9.46	9.24	8.97
Total	15.20	12.95	12.94	12.88
Rate of Interest	10.25%	10.25%	10.25%	10.25%
Interest	0.39 (Pro rata)	1.33	1.33	1.32

10. The reply to the petition has been filed by the respondent. No comments or suggestions have been received from the general public in response to the notices published by the petitioner under section 64 of the Electricity Act, 2003.

CAPITAL COST

11. As per clause (1) of Regulation 52 of the 2004 regulations, subject to prudence check, the actual expenditure incurred on completion of the project shall form the basis for determination of final tariff. The final tariff shall be determined based on the admitted capital expenditure actually incurred up to the date of commercial operation of the transmission system and shall include capitalised initial

spares subject to a ceiling norm as 1.5% of original project cost. The regulation is applicable in case of the transmission system declared under commercial operation on or after 1.4.2004.

12. The petitioner has claimed tariff after accounting for additional capitalization of Rs. 9.17 lakh on works for the period from 1.1.2006 to 31.3.2006 and Rs.2.63 lakh for the period from 1.4.2006 to 31.3.2007 over the capital expenditure of Rs. 327.25 lakh (including IDC and IEDC capitalised for the period 1.7.2005 to 31.12.2006) as on 1.1.2006, the deemed date of commercial operation. The details of the capital cost claimed by the petitioner are given hereunder:

		(Rs in lakh)
A		
1	Expenditure up to 30.6.2005 (date of original capitalization)	273.30
2	Expenditure from 1.7.2005 to 31.12.2005	48.54
	Sub-total (A)	321.84
B		
1	Expenditure from 1.1.2006 to 31.3.2006	9.17
2	Expenditure from 1.4.2006 to 31.3.2007	2.63
3	Balance Estimated Expenditure	3.47
	Sub-total (A)+(B)	337.11
C		
1	Capitalized on IEDC and IDC from 1.7.2005 to 31.12.2005	5.41
	Sub-total (C)	5.41
	Total (A)+B)+(C)	342.52

Additional capitalization

13. Clause (1) of Regulation 53 of the 2004 regulations provides-

“(1) The following capital expenditure within the original scope of work actually incurred after the date of commercial operation and up to the cut off date may be admitted by the Commission, subject to prudence check:

- (i) Deferred liabilities;
- (ii) Works deferred for execution;
- (iii) Procurement of initial capital spares in the original scope of works subject to the ceiling norm specified in regulation 52;
- (iv) Liabilities to meet award of arbitration or compliance of the order or decree of a court; and
- (v) On account of change in law:

Provided that original scope of work along with estimates of expenditure shall be submitted along with the application for provisional tariff:

Provided further that a list of the deferred liabilities and works deferred for execution shall be submitted along with the application for final tariff after the date of commercial operation of the transmission system.”

14. The details submitted by the petitioner in support of its claim for additional capital expenditure are given hereunder:

Year	Amount (Rs. in lakh)	Nature of expenditure
2005-06	9.17	PLCC = Rs. 7.01 lakh
		Transmission line = Rs. 2.16 lakh
2006-07	2.63	Transmission lines

15. The additional capital expenditure claimed is within the original scope of work and is found to be in order as it was against the balance payments. Accordingly, the additional capital expenditure of Rs. 9.17 lakh during 2005-06 and Rs. 2.63 lakh during 2006-07 as claimed has been allowed.

Time Overrun

16. The scheduled date of commissioning of the transmission line was April, 2003. The transmission line is deemed to have been declared under commercial operation on 1.1.2006. The petitioner has explained that the delay was due to ROW problem and the villagers approached the court seeking stoppage of work in construction of transmission line. Finally, the cases have been disposed of during 2004 and 2005, and construction work was resumed thereafter. The transmission line was declared under commercial operation.

17. There is satisfactory explanation for the entire delay in completion of the transmission line. Therefore, the delay in commissioning of line is considered to be

beyond the control of the petitioner. In any case, the parties have agreed to 1.1.2006 as the date of commercial operation as discussed at para 7 above and therefore, the objection taken by the respondent regarding the delay in execution of the transmission line has lost its relevance.

TOTAL CAPITAL COST

18. Against the above background, gross block of Rs. 339.05 lakh as on 1.4.2007 and Rs.336.42 lakh as on 1.4.2006 have been worked out for the purpose of tariff over the gross block of Rs. 327.25 lakh as on the deemed date of commercial operation. It is noted that the capital cost considered exceeds the apportioned approved cost of Rs. 306.49 lakh. This is for the reason that the estimated completion cost of the transmission scheme (as a whole) of Rs. 2389.01 lakh is within the total approved cost of Rs. 2604.41 lakh, as given in the table in para 4 above.

DEBT- EQUITY RATIO

19. Clause (2) of Regulation 54 of the 2004 regulations *inter alia* provides that,-

“(2) In case of the transmission system for which investment approval was accorded prior to 1.4.2004 and which are likely to be declared under commercial operation during the period 1.4.2004 to 31.3.2009, debt and equity in the ratio of 70:30 shall be considered:

Provided that where equity actually employed to finance the project is less than 30%, the actual debt and equity shall be considered for determination of tariff:

Provided further that the Commission may in appropriate cases consider equity higher than 30% for determination of tariff, where the transmission licensee is able to establish to the satisfaction of the Commission that deployment of equity higher than 30% was in the interest of general public.”

20. The petitioner has claimed debt-equity ratio of 65.99:34.01. The petitioner has further considered the amount of additional capitalization during 2005-06 and 2006-07 in the debt-equity ratio of 70:30.

21. As has been noticed in para 4 above, the transmission scheme encompasses various elements. The equity deployment for different elements is given hereunder:

Sl. No	Name of the asset	Capital cost (Rs. in lakh)	Equity (Rs. in lakh)	% Equity
1	220 kV Allahabad-Rewa Road D/C transmission line-ckt-I	110.07	26.07	23.68
2	LILO of Modipuram-Simbholi 220 kV transmission line at Meerut	282.56	84.77	30.00
3	LILO of Modipuram-Nara 220 kV S/C transmission line at Meerut	106.06	30.06	28.34
4	220 kV S/C Allahabad-Phulpur transmission line	1459.77	433.77	29.71
5	220 kV S/C Meerut-Shatabdinagar transmission line	327.25	213.25	65.16
6	220 kV Allahabad-Rewa Road D/C transmission line-ckt-II	49.65	14.65	29.51
	Total	2335.36	802.57	34.3660

22. For the transmission scheme (as a whole), 30% of equity works out to Rs. 700.61 lakh, against the actual deployment of Rs. 802.57 lakh. Thus, the excess equity of Rs. 101.96 lakh is to be adjusted against loan in order to maintain the debt-equity ratio at 70:30. This adjustment has already been made by the petitioner in the present petition. Consequent to this adjustment, equity component of Rs. 111.29 lakh, on the date of commercial operation of the transmission line works out to 34.01% as claimed by the petitioner.

23. We have accordingly, considered the debt-equity ratio of 65.99:34.01 on the date of commercial operation. The additional capitalisation of Rs. 9.17 lakh for the year 2005-06 and Rs. 2.63 lakh for the year 2006-07 has been segregated into

debt and equity in the normative ratio of 70:30. The net debt-equity ratio in this manner works out to 66.13:33.87. Accordingly, the necessary details in regard to debt and equity considered for the purpose of tariff are extracted hereunder:

(Rs. in lakh)					
S. No.		Total (Rs. in lakh)	Debt-equity ratio	Debt (Rs. in lakh)	Equity (Rs. in lakh)
1.	Capital expenditure on date of commercial operation	327.25	65.99:34.01	215.96	111.29
2.	Additional capital expenditure during 2005-06	9.17	70.00:30.00	6.42	2.75
3.	Capital expenditure as on 31.3.2006	336.42	66.10:33.90	222.38	114.04
4.	Additional capital expenditure during 2006-07	2.63	70.00:30.00	1.84	0.79
5.	Capital Expenditure as on 31.3.2007	339.05	66.13:33.87	224.22	114.83

RETURN ON EQUITY

24. As per clause (iii) of Regulation 56 of the 2004 regulations, return on equity shall be computed on the equity base determined in accordance with regulation 54 @ 14% per annum. Equity invested in foreign currency is to be allowed a return in the same currency and the payment on this account is made in Indian Rupees based on the exchange rate prevailing on the due date of billing.

25. As noted above equity of Rs.111.29 lakh has been considered as on 1.1.2006, Rs. 114.04 lakh as on 1.4.2006 and Rs.114.83 lakh as on 1.4.2007. However, tariff for the period 1.1.2006 to 31.3.2006 and 1.4.2006 to 31.3.2007 has been allowed on average equity for the respective year. Accordingly, the petitioner shall be entitled to return on equity of Rs. 3.94 lakh (pro rata) during 2005-06, Rs.16.02 lakh during 2006-07 and thereafter @ Rs.16.08 lakh each year during 2007-09.

INTEREST ON LOAN

26. Clause (i) of regulation 56 of the 2004 regulations *inter alia* provides that,-

“(a) Interest on loan capital shall be computed loan wise on the loans arrived at in the manner indicated in regulation 54.

(b) The loan outstanding as on 1.4.2004 shall be worked out as the gross loan in accordance with Regulation 54 minus cumulative repayment as admitted by the Commission or any other authority having power to do so, up to 31.3.2004. The repayment for the period 2004-09 shall be worked out on a normative basis.

(c) The transmission licensee shall make every effort to re-finance the loan as long as it results in net benefit to the beneficiaries. The costs associated with such re-financing shall be borne by the beneficiaries.

(d) The changes to the loan terms and conditions shall be reflected from the date of such re-financing and benefit passed on to the beneficiaries.

(e) In case of dispute, any of the parties may approach the Commission with proper application. However, the beneficiaries shall not withhold any payment ordered by the Commission to the transmission licensee during pendency of any dispute relating to re-financing of loan;

(f) In case any moratorium period is availed of by the transmission licensee, depreciation provided for in the tariff during the years of moratorium shall be treated as repayment during those years and interest on loan capital shall be calculated accordingly.

(g) The transmission licensee shall not make any profit on account of re-financing of loan and interest on loan;

(h) The transmission licensee may, at its discretion, swap loans having floating rate of interest with loans having fixed rate of interest, or vice versa, at its own cost and gains or losses as a result of such swapping shall accrue to the transmission licensee:

Provided that the beneficiaries shall be liable to pay interest for the loans initially contracted, whether on floating or fixed rate of interest.”

27. The petitioner has claimed interest on loan in the following manner:

(i) Gross loan opening has been considered from the year 2005-06;

(ii) On the basis of actual rate of interest on actual average loan the weighted average rate of interest on loan has been worked out for various years.

(iii) To the total gross loan for the year 2005-06, notional loan amounting to Rs. 101.96 lakh has been added along with the notional loan

corresponding to additional capital expenditure for the year 2005-06 and 2006-07. This resulting amount has been considered as notional loan and the weighted average rate of interest on loan for respective year as per above has been multiplied to arrive at interest on loan. As the actual yearly repayment is less than the respective year's depreciation, depreciation has been considered as repayment.

28. In our calculation, the interest on loan has been worked out as detailed below:

- (i) Gross amount of loan, repayment of instalments as per the loan allocation statement up to 2006-07 has been prepared on the basis of loan allocation details submitted by the petitioner and rate of interest as given in the petition. The same is used to work out weighted average rate of interest on actual loan.
- (ii) Notional loan arising out of additional capitalization from 1.1.2006 to 31.3.2006 and during the year 2006-07 has been considered and added in loan amount as on 1.1.2006 to arrive at total notional loan. This adjusted gross loan has been considered as normative loan for tariff calculations.
- (iii) Tariff has been worked out considering normative loan and normative repayments. Once the normative loan has been arrived at, it has been considered for all purposes in the tariff. Normative repayment has been worked out by the following formula :

$$\frac{\text{Actual repayment of actual loan during the year}}{\text{Opening balance of actual loan during the year}} \times \text{Opening balance of normative loan during the year}$$

- (iv) Moratorium in repayment of loan has been considered with reference to normative loan and if the normative repayment of loan during the year is less than the depreciation during the year, it has been considered as moratorium and depreciation during the year has been deemed as normative repayment of loan during the year.
- (v) Weighted average rate of interest on actual loan worked out as per (i) above has been applied on the average loan during the year to arrive at the interest on loan.

29. Based on the above, the year-wise details of interest worked out are given hereunder:

(Rs. in lakh)				
Details of loan	2005-06 (Pro rata)	2006-07	2007-08	2008-09
Interest on Loan				
Opening Gross Loan	215.96	222.38	224.22	224.22
Cumulative Repayment	2.53	10.42	28.98	47.71
Net Loan-Opening	213.43	211.96	195.24	176.51
Additions due to Additional Capitalisation	6.42	1.84	-	-
Repayment during the year	7.89	18.56	18.74	18.74
Net Loan-Closing	211.96	195.24	176.51	157.77
Average Loan	212.70	203.60	185.87	167.14
Weighted Average Rate of Interest on Loan	9.16%	9.15%	9.15%	9.15%
Interest	4.87	18.64	17.01	15.29

30. The detailed calculations in support of interest on loan are attached as Annexure `A` to this order.

DEPRECIATION

31. Sub-clause (a) of clause (ii) of Regulation 56 of the 2004 regulations provides for computation of depreciation in the following manner, namely:

- (i) The value base for the purpose of depreciation shall be the historical cost of the asset.
- (ii) Depreciation shall be calculated annually based on straight line method over the useful life of the asset and at the rates prescribed in Appendix II to these regulations. The residual value of the asset shall be considered as 10% and depreciation shall be allowed up to maximum of 90% of the historical capital cost of the asset. Land is not a depreciable asset and its cost shall be excluded from the capital cost while computing 90% of the historical cost of the asset. The historical capital cost of the asset shall include additional capitalisation on account of Foreign Exchange Rate Variation up to 31.3.2004 already allowed by the Central Government/Commission.
- (iii) On repayment of entire loan, the remaining depreciable value shall be spread over the balance useful life of the asset.
- (iv) Depreciation shall be chargeable from the first year of operation. In case of operation of the asset for part of the year, depreciation shall be charged on pro rata basis.

32. The petitioner has claimed the depreciation on the capital cost of Rs.327.25 lakh as on 1.1.2006 and at the capital cost of Rs. 339.05 lakh as on 1.4.2007 and the subsequent years.

33. The gross depreciable value of the transmission line is $0.9 \times (\text{Rs. } 339.05 \text{ lakh}) = \text{Rs. } 305.15 \text{ lakh}$.

34. Depreciation works out to Rs.2.97 lakh (pro rata) for the period 1.1.2006 to 31.3.2006 on average gross block of Rs. 329.25 lakh, Rs. 12.14 lakh for the period 1.4.2006 to 31.3.2007 on the average gross block of Rs. 341.05 lakh, and Rs.12.19

lakh each year for the period 1.4.2007 to 31.3.2009 on gross block of Rs.339.05 lakh as shown below:

(Rs. in lakh)

Details of Depreciation	2005-06 (Pro rata)	2006-07	2007-08	2008-09
Gross block at the beginning of the period	327.25	336.42	339.05	339.05
Additional Capitalisation during the period	9.17	2.63	-	-
Gross Block at the end of the period	336.42	339.05	339.05	339.05
Rate of Depreciation	3.5802%	3.5982%	3.5942%	3.5942%
Depreciation	2.97	12.14	12.19	12.19

ADVANCE AGAINST DEPRECIATION

35. As per sub-clause (b) of clause (ii) of Regulation 56 of the 2004 regulations, in addition to allowable depreciation, the transmission licensee is entitled to Advance Against Depreciation, computed in the manner given hereunder:

AAD = Loan repayment amount as per regulation 56 (i) subject to a ceiling of 1/10th of loan amount as per regulation 54 minus depreciation as per schedule

36. It is provided that Advance Against Depreciation shall be permitted only if the cumulative repayment up to a particular year exceeds the cumulative depreciation up to that year. It is further provided that Advance Against Depreciation in a year shall be restricted to the extent of difference between cumulative repayment and cumulative depreciation up to that year.

37. The petitioner has claimed Advance Against Depreciation in the following manner:

- (i) 1/10th of gross loan considered for tariff computation.
- (ii) Cumulative loan as well as repayment of notional loan considered during the year.
- (iii) Depreciation as claimed in the petition.

38. In our calculation, Advance Against Depreciation has been worked as under:

- (i) 1/10th of gross loan has been worked out from the gross notional loan as per para 29 above.
- (ii) Repayment of notional loan during the year has been considered as per para 29 above.
- (iii) Depreciation as worked out as per para 34 has been taken into account.

39. The details of Advance Against Depreciation allowed for the transmission scheme is given hereunder:

(Rs. in lakh)

Details of Advance Against Depreciation	2005-06	2006-07	2007-08	2008-09
1/10th of Gross Loan(s)	21.60	22.24	22.42	22.42
Repayment of Loan	7.89	18.56	18.74	18.74
Minimum of the above	7.89	18.56	18.74	18.74
Depreciation during the year	2.97	12.14	12.19	12.19
(A) Difference	4.92	6.42	6.55	6.55
Cumulative Repayment of the Loan	10.42	28.98	47.71	66.45
Cumulative Depreciation/ Advance against Depreciation	2.97	20.03	38.64	57.37
(B) Difference	7.45	8.95	9.08	9.08
Advance Against Depreciation Minimum of (A) and (B)	4.92	6.42	6.55	6.55

OPERATION & MAINTENANCE EXPENSES

40. In accordance with clause (iv) of Regulation 56 the 2004 regulations, the following norms are prescribed for O & M expenses

	Year				
	2004-05	2005-06	2006-07	2007-08	2008-09
O&M expenses (Rs. in lakh per ckt-km)	0.227	0.236	0.246	0.255	0.266
O&M expenses (Rs in lakh per bay)	28.12	29.25	30.42	31.63	32.90

41. The petitioner has claimed O & M expenses for 8.234 ckt km which have been allowed. Accordingly, the petitioner's entitlement to O & M expenses has been worked out as given hereunder:

(Rs. in lakh)

	Year			
	2005-06 (Pro rata)	2006-07	2007-08	2008-09
O&M expenses for 8.234 ckt kms line length	0.49	2.03	2.10	2.19
Total	0.49	2.03	2.10	2.19

42. The petitioner has submitted that the wage revision of its employees is due with effect from 1.1.2007. Therefore, O&M expenses should be subject to revision on account of revision of employee cost from that date. In the alternative, it has been prayed that the increase in employee cost due to wage revision be allowed as per actuals for extra cost to be incurred consequent to wage revision. We are not expressing any view, as this issue does not arise for consideration at this stage. The petitioner may approach for a relief in this regard at an appropriate stage in accordance with law.

INTEREST ON WORKING CAPITAL

43. The components of the working capital and the interest thereon are discussed hereunder:

(i) Maintenance spares

Regulation 56(v)(1)(b) of the 2004 regulations provides for maintenance spares @ 1% of the historical cost escalated @ 6% per annum from the date of commercial operation. In the present case, the capital expenditure on the date of commercial operation is Rs. 327.25 lakh, which has been considered as the historical cost for the purpose of the present

petition and maintenance spares have been worked out accordingly by escalating 1% of the historical cost @ 6% per annum. In this manner, the value of maintenance spares works out to Rs.3.27 lakh as on 1.1.2006.

(ii) O & M expenses

Regulation 56(v)(1)(a) of the 2004 regulations provides for operation and maintenance expenses for one month as a component of working capital. The petitioner has claimed O&M expenses for 1 month of O&M expenses of the respective year as claimed in the petition. This has been considered in the working capital.

(iii) Receivables

As per Regulation 56(v)(1)(c) of the 2004 regulations, receivables will be equivalent to two months average billing calculated on target availability level. The petitioner has claimed the receivables on the basis 2 months' transmission charges claimed in the petition. In the tariff being allowed, receivables have been worked out on the basis 2 months' transmission charges.

(iv) Rate of interest on working capital

As per Regulation 56(v)(2) of the 2004 regulations, rate of interest on working capital shall be on normative basis and shall be equal to the short-term Prime Lending Rate of State Bank of India as on 1.4.2004 or on 1st April of the year in which the project or part thereof (as the case may be) is declared under commercial operation, whichever is later. The interest on working capital is payable on normative basis notwithstanding that the transmission licensee has not taken working capital loan from any outside agency. The petitioner has claimed interest on working capital @ 10.25%

based on SBI PLR as on 1.4.2005, which is in accordance with the 2004 regulations and has been allowed.

44. The necessary computations in support of interest on working capital are appended hereinbelow:

(Rs. in lakh)

	2005-06(Pro rata)	2006-07	2007-08	2008-09
Maintenance Spares	3.27	3.32	3.52	3.73
O & M expenses	0.16	0.17	0.18	0.18
Receivables	11.72	9.43	9.21	8.93
Total	15.16	12.92	12.90	12.85
Rate of Interest	10.25%	10.25%	10.25%	10.25%
Interest	0.39	1.32	1.32	1.32

TRANSMISSION CHARGES

45. The capital cost and other relevant details are contained in the summary sheet attached as Annexure `B`. The transmission charges being allowed for the transmission line are summarised below:

(Rs.in lakh)

	2005-06 (Pro rata)	2006-07	2007-08	2008-09
Depreciation	2.97	12.14	12.19	12.19
Interest on Loan	4.87	18.64	17.01	15.29
Return on Equity	3.94	16.02	16.08	16.08
Advance against Depreciation	4.92	6.42	6.55	6.55
Interest on Working Capital	0.39	1.32	1.32	1.32
O & M Expenses	0.49	2.03	2.10	2.19
Total	17.59	56.57	55.24	53.61

46. In addition to the transmission charges, the petitioner shall be entitled to other charges like income-tax, incentive, surcharge and other cess and taxes in accordance with the 2004 regulations. The transmission charges shall be born by the respondent.

47. The petitioner has sought approval for the reimbursement of expenditure of Rs. 35.485/- incurred on publication of notices in the newspapers. The petitioner shall claim reimbursement of the said expenditure directly from the respondent in one installment. The petitioner has also sought reimbursement of filing fee of Rs.5 lakh paid. A final view on reimbursement of filing fee is yet to be taken by the Commission. The view taken shall apply in the present case as regards reimbursement of filing fee.

48. This order disposes of Petition No. 10/2007.

sd/
(R.KRISHNAMOORTHY)
MEMBER
New Delhi dated the 17th July 2007

sd/
(BHANU BHUSHAN)
MEMBER

CALCULATION OF WEIGHTED AVERAGE RATE OF INTEREST ON LOAN

(Rs. in Lakh)

Details of Loan	2005-06	2006-07	2007-08	2008-09
Bond X				
Gross Loan opening	4.00	4.00	4.00	4.00
Cumulative Repayment upto DOCO/previous year	0.67	0.67	1.00	1.33
Net Loan-Opening	3.33	3.33	3.00	2.67
Additions during the year	0.00	0.00	0.00	0.00
Repayment during the year	0.00	0.33	0.33	0.33
Net Loan-Closing	3.33	3.00	2.67	2.33
Average Loan	3.33	3.17	2.83	2.50
Rate of Interest	10.90%	10.90%	10.90%	10.90%
Interest	0.36	0.35	0.31	0.27
Repayment Schedule	12 Annual instalments from 21.06.2004			
Bond XI Option-I				
Gross Loan opening	4.00	4.00	4.00	4.00
Cumulative Repayment up to DOCO/previous year	0.33	0.33	0.67	1.00
Net Loan-Opening	3.67	3.67	3.33	3.00
Additions during the year	0.00	0.00	0.00	0.00
Repayment during the year	0.00	0.33	0.33	0.33
Net Loan-Closing	3.67	3.33	3.00	2.67
Average Loan	3.67	3.50	3.17	2.83
Rate of Interest	9.80%	9.80%	9.80%	9.80%
Interest	0.36	0.34	0.31	0.28
Repayment Schedule	12 Annual Installments from 07.12.05			
Bond-XII				
Gross Loan opening	46.00	46.00	46.00	46.00
Cumulative Repayment upto DOCO/previous year	0.00	3.83	7.67	11.50
Net Loan-Opening	46.00	42.17	38.33	34.50
Additions during the year	0.00	0.00	0.00	0.00
Repayment during the year	3.83	3.83	3.83	3.83
Net Loan-Closing	42.17	38.33	34.50	30.67
Average Loan	44.08	40.25	36.42	32.58
Rate of Interest	9.70%	9.70%	9.70%	9.70%
Interest	4.28	3.90	3.53	3.16
Repayment Schedule	12 Annual Instalments from 28.03.2006			
PNB-II				
Gross Loan opening	2.00	2.00	2.00	2.00
Cumulative Repayment upto DOCO/previous year	0.17	0.33	0.50	0.67
Net Loan-Opening	1.83	1.67	1.50	1.33
Additions during the year	0.00	0.00	0.00	0.00
Repayment during the year	0.17	0.17	0.17	0.17
Net Loan-Closing	1.67	1.50	1.33	1.17
Average Loan	1.75	1.58	1.42	1.25
Rate of Interest	8.60%	8.60%	8.60%	8.60%
Interest	0.15	0.14	0.12	0.11
Repayment Schedule	12 Annual Instalments from 08.03.2005			
OBC				

Gross Loan opening	2.00	2.00	2.00	2.00
Cumulative Repayment upto DOCO/previous year	0.17	0.33	0.50	0.67
Net Loan-Opening	1.83	1.67	1.50	1.33
Additions during the year	0.00	0.00	0.00	0.00
Repayment during the year	0.17	0.17	0.17	0.17
Net Loan-Closing	1.67	1.50	1.33	1.17
Average Loan	1.75	1.58	1.42	1.25
Rate of Interest	8.60%	8.60%	8.60%	8.60%
Interest	0.15	0.14	0.12	0.11
Repayment Schedule	12 Annual Instalments from 22.03.2005			
Bond XIII Option-I				
Gross Loan opening	56.00	56.00	56.00	56.00
Cumulative Repayment upto DOCO/previous year	0.00	0.00	4.67	9.33
Net Loan-Opening	56.00	56.00	51.33	46.67
Additions during the year	0.00	0.00	0.00	0.00
Repayment during the year	0.00	4.67	4.67	4.67
Net Loan-Closing	56.00	51.33	46.67	42.00
Average Loan	56.00	53.67	49.00	44.33
Rate of Interest	8.63%	8.63%	8.63%	8.63%
Interest	4.83	4.63	4.23	3.83
Repayment Schedule	12 Annual Installments from 31.07.2006			
Gross Loan opening	114.00	114.00	114.00	114.00
Cumulative Repayment upto DOCO/previous year	1.33	5.50	15.00	24.50
Net Loan-Opening	112.67	108.50	99.00	89.50
Additions during the year	0.00	0.00	0.00	0.00
Repayment during the year	4.17	9.50	9.50	9.50
Net Loan-Closing	108.50	99.00	89.50	80.00
Average Loan	110.58	103.75	94.25	84.75
Rate of Interest	9.1628%	9.1529%	9.1501%	9.1466%
Interest	10.13	9.50	8.62	7.75

Summary Sheet						
Name of the Company:		PGCIL				
Name of the Element:		220 KV S/C Meerut-Shatabdinagar Transmission Line under System Improvement Scheme in Uttar Pradesh				
DOCO for Tariff :		1.1.2006				
Petition No.:		10/2007				
Tariff setting Period:		2004-09				
(Rs.in lakh)						
1	Capital Cost of the Project as on DOCO					327.25
2	Additional Capitalization					11.80
	a	For the year 2005-06	9.17			
	b	For the year 2006-07	2.63			
		Total	11.80			
3	Capital Cost as on: 1.4.2006 (1+2a)					336.42
	Capital Cost as on: 1.4.2007 (1+2b)					339.05
4	Means of Finance :					
		As on DOCO		As on 1.4.2006		As on 1.4.2007
	Debt	65.99%	215.96	66.10%	222.38	66.13% 224.22
	Equity	34.01%	111.29	33.90%	114.04	33.87% 114.83
	Total	100.00%	327.25	100.00%	336.42	100.00% 339.05
5	Gross Loan:					
		As on DOCO		215.96		
		Notional Loan corresponding to ACE during 2005-06		6.42		
		As on 1.4.2006		222.38		
		Notional Loan corresponding to ACE during 2006-07		1.84		
		As on 1.4.2007		224.22		
6	Cumulative Repayment up to 31.3.2009 :					66.45
		Up to DOCO		2.53		
		From DOCO to 31.3.2009		63.92		
		Total		66.45		
7	Balance Loan to be repaid beyond 31.3.2009 :					157.77
8	Depreciation recovered up to 31.3.2009 :					63.92
			Dep	AAD	Total	
		From DOCO to 31.3.2009	39.48	24.44	63.92	
		Total			63.92	
9	Balance Depreciation to be recovered beyond 31.03.2009 :					241.22
	Capital cost for the purpose of Depreciation				327.25	
	ACE during 2005-06				9.17	
	Capital cost as on 1.4.2006				336.42	
	ACE during 2006-07				2.63	
	Capital cost as 1.4.2007				339.05	
	Less: Land Cost				0.00	
					339.05	
	90% of Capital Cost as above				305.15	
	Cum. Depreciation to be recovered up to 31.3.2009				63.92	
	Balance Depreciation to be recovered beyond 31.3.2009				241.22	