

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Coram

1. **Shri Ashok Basu, Chairman,**
2. **Shri G.S. Rajamani, Member**
3. **Shri K.N.Sinha, Member**

Petition No.12/2002

In the matter of

Petition for approval of tariff for the Transmission System associated with Farakka (I & II) STPS in Eastern Region for the period 1.4.2001 to 31.3.2004.

And in the matter of

Power Grid Corporation of India Ltd.

.... Petitioner

Vs

1. Bihar State Electricity Board
2. West Bengal State Electricity Board
3. Grid Corporation of Orissa Ltd.
4. Damodar Valley Corporation
5. Power Dept., Govt. of Sikkim
6. Jharkhand State Electricity Board

.....Respondents

The following were present

1. Shri Prashant Sharma, PGCIL
2. Shri S. S. Sharma, PGCIL
3. Shri U.K. Tyagi, PGCIL
4. Shri Manoj Rastogi, PGCIL
5. Shri A.K. Nagpal, PGCIL
6. Shri S. Mehrotra, Dy. Mgr (F), PGCIL
7. Shri S.K. Jain, Manager (Law), PGCIL
8. Shri J Sridharan, ED(P), PGCIL
9. Shri Mahesh K.R., PGCIL
10. Shri R.K. Vohra, ED (CommI), PGCIL

**ORDER
(DATE OF HEARING: 12.12.2002)**

In this petition, the petitioner, Power Grid Corporation of India Ltd has sought approval for tariff in respect of the Transmission System associated with Farakka (I &

II) STPS in Eastern Region for the period from 1.4.2001 to 31.3.2004 based on terms and conditions of tariff contained in the Commission's notification dated 26.3.2001, (hereinafter referred to as "the notification dated 26.3.2001").

2. The implementation of 400 kV Farakka Transmission System in Eastern Region for evacuation of Central Sector power from Stage-I and II of Farakka Super Thermal Power Station was contemplated in the scheme of power generation. Accordingly, the Transmission System was completed and implemented by NTPC. Subsequently, the petitioner had taken over the system.

3. The Transmission System associated with Farakka STPS Stage-I was approved by Ministry of Power vide letter dated 15.3.1991 for Rs.6990.00 lakh with the following scope of the work:

- (i) Farakka-Durgapur Transmission Line,
- (ii) Farakka-Jeerat Transmission Line, and
- (iii) Durgapur sub-station and sub-station extension of Jeerat (WBSEB)

4. The Transmission System associated with Farakka STPS Stage-II was approved by Ministry of Power, vide letters dated 28.5.1992 and 25.11.1992 at a cost of Rs.19076.00 lakh. Subsequently, the revised cost estimate for the Transmission System with associated Farakka STPS Stage-II, for Rs.28589.00 lakh including FERV component of Rs.5798.00 lakh was approved by Ministry of Power vide letter dated 19.8.97. As per the revised cost estimate approval, the scope of work is as under:

Transmission Line

- (i) Farakka-Bhagalpur D/C Transmission Line,
- (ii) Bhagalpur-biharshariff D/C Transmission Line,
- (iii) Farakka-Jeerat-II S/C Transmission Line,
- (iv) Farakka-Durgapur-II S/C Transmission Line, and
- (v) Durgapur-Jamshedpur S/C Transmission Line,

Sub - station

- (i) Biharshariff (400/220 kV),
- (ii) Jamshedpur (400/220 kV), and
- (iii) Sub - station extension Works at Jeerat (WBSEB) & Durgapur

5. Thus the total approved cost of the Transmission System associated with Farakka (I & II) STPS was Rs.35579.00 lakh, including FERV component of Rs.5798.00 lakh

6. The transmission system associated with FSTPS-I & II was completed in 1985 to 1994 and was put under commercial operation progressively as under:

| S.No. | Name of the Transmission Line/sub - station | Date of Commercial Operation |
|-----------|--|------------------------------|
| 1. | Farakka STPS Stage-I | |
| 1.1 | Farakka-Jeerat-I | 1.1.1986 |
| 1.2 | Farakka-Durgapur-I | 1.7.1987 |
| | | |
| 2 | Farakka STPS Stage-II | |
| 2.1 | Farakka-Kahalgaon-I | 1.5.1993 |
| 2.2 | Farakka-Kahalgaon-II | 1.10.1991 |
| 2.3 | Kahalgaon-Biharshariff-I | 1.10.1991 |
| 2.4 | Kahalgaon-Biharshariff-II | 1.1.1993 |
| 2.5 | Farakka-Durgapur-II | 1.8.1992 |
| 2.6 | Farakka-Jeerat-II & Ass. Jeerat S/S | 1.12.1994 |
| 2.7 | Durgapur-Jamshedpur & Asso. S/S at Durgapur & Jamshedpur | 1.9.1994 |

7. The transmission tariff for the Transmission System for the period 1.4.1997 to 31.3.2002, was notified vide Ministry of Power notifications dated 4.12.98 (for Farakka STPS Stage-I & Farakka STPS Stage-II, Part) and dated 11.5.1999 (for Farakka STPS Stage-II, balance). The admitted cost of the assets as per notifications dated 4.12.98 and dated 11.5.99 is Rs.17391.00 lakh and Rs.13210.00 lakh respectively. The total admitted cost of the Transmission System is Rs.30601.00 lakh.

8. Based on the above-noted facts, the petitioner has sought approval for transmission charges for the period from 1.4.2001 to 31.3.2004 as under:

(Rs. in lakh)

| Transmission Tariff | 2001-2002 | 2002-2003 | 2003-2004 |
|------------------------------|------------------|------------------|------------------|
| Interest on Loan | 146.25 | 121.19 | 96.14 |
| Interest on Working Capital | 153.47 | 157.39 | 162.61 |
| Depreciation | 907.92 | 907.92 | 907.92 |
| Advance against Depreciation | 56.43 | 0.00 | 0.00 |
| Return on Equity | 2067.36 | 2067.36 | 2067.36 |
| O & M Expenses | 1563.56 | 1658.53 | 1754.69 |
| Total | 4894.99 | 4912.39 | 4988.72 |

9. The petitioner has furnished the following details in support of its claim for interest on working capital:

(Rs. in lakh)

| | 2001-2002 | 2002-2003 | 2003-2004 |
|------------------|------------------|------------------|------------------|
| Spares | 388.36 | 411.66 | 436.36 |
| O & M expenses | 130.30 | 138.21 | 146.22 |
| Receivables | 815.83 | 818.73 | 831.45 |
| Total | 1334.49 | 1368.60 | 1414.03 |
| Rate of Interest | 11.50% | 11.50% | 11.50% |
| Interest | 153.47 | 157.39 | 162.61 |

10. In addition, the petitioner has prayed for approval of other charges like Foreign Exchange Rate Variation, Income Tax, incentive, Development Surcharge, late payment surcharge, other statutory taxes, levies, cess, filing fee, etc in terms of the notification dated 26.3.2001.

CAPITAL COST

11. As laid down in the notification dated 26.3.2001, the project cost as approved by CEA or an appropriate independent agency, other than Board of Directors of the generating company, as the case may be, shall be the basis for computation of tariff. As already noticed, the tariff for the assets was notified by Ministry of Power vide its notifications dated 4.12.1998 and 11.5.1999 by considering cost of Rs. 30601.00 lakh. Therefore, for the purpose of present petition, the capital cost as considered by Ministry of Power has been adopted.

ADDITIONAL CAPITALISATION

12. The notification dated 26.3.2001 provides that tariff revisions during the tariff period on account of capital expenditure within the approved project cost incurred during the tariff period may be entertained by the Commission only if such expenditure exceeds 20% of the approved cost. In all cases, where such expenditure is less than 20%, tariff revision shall be considered in the next tariff period.

13. The petitioner has not claimed any additional capital expenditure on works for the period after 01.04.2001 in the petition. Accordingly, the question of considering additional capitalisation on works does not arise.

EXTRA RUPEE LIABILITY

14. The notification dated 26.3.2001 provides that

- (a) Extra rupee liability towards interest payment and loan repayment actually incurred, in the relevant year shall be admissible; provided it directly arises out of foreign exchange rate variation and is not attributable to Utility or its suppliers or contractors. Every utility shall follow the method as per the Accounting Standard-11 (Eleven) as issued by the Institute of Chartered Accountants of India to calculate the impact of exchange rate variation on loan repayment.
- (b) Any foreign exchange rate variation to the extent of the dividend paid out on the permissible equity contributed in foreign currency, subject to the ceiling of permissible return shall be admissible. This as and when paid, may be spread over the twelve-month period in arrears.

15. The petitioner has claimed the FERV with the following method and the amount of FERV so arrived at has been added to the capital cost as on 1.4.2001 (base capital cost for the tariff period):

Outstanding loan as on 31.3.2001 (in foreign currency) X (exchange rate as on 31.3.2001 - exchange rate as on DOCO)

16. We have considered the matter. FERV amount calculated in the above manner comes to Rs. 1712.96 lakh as calculated below:

| | |
|--|----------------|
| Sumitomo (Replacement of Exim) | |
| Outstanding balance as on 31.03.2001 (in JPY lakh) | 3723.18 |
| Exchange Rate as on 31.03.2001 | 0.377 |
| Exchange Rate as on DOCO/01.04.1992 | 0.2356 |
| FERV on the outstanding loan as on 31.03.2001 (Rs. in lakh) | 526.57 |
| IBJ-III (Replacement of Exim Bank) | |
| Outstanding balance as on 31.03.2001 (in JPY lakh) | 8388.63 |
| Exchange Rate as on 31.03.2001 | 0.377 |
| Exchange Rate as on DOCO/01.04.1992 | 0.2356 |
| FERV on the outstanding loan as on 31.03.2001 (Rs. in lakh) | 1186.40 |
| Total | |
| | 1712.96 |

17. As per Accounting Standard 11 of the Institute of Chartered Accountant of India, exchange difference arising of repayment of liabilities incurred for the purpose of acquiring fixed assets, which are carried in terms of historical cost, should be adjusted in the carrying amount of the respective fixed assets. In other words, the FERV should be added in the respective head of gross block, which was financed, from the foreign loan on which FERV is proposed to be allowed. As the above details are not available, FERV amount is allocated to all the heads of gross block in proportion to their ratio to the total gross block. The petitioner has allocated the FERV amount claimed on transmission line, sub-station and PLCC only.

18. The approval of FERV is subject to the condition that the petitioner shall furnish a certificate within four weeks of this order that there has been no drawl of the foreign loan after the date of commercial operation/1.4.1992 of the respective transmission elements claimed in the petition. If petitioner fails to submit the certificate within

stipulated time, no amount on account of FERV would be allowed as pass through in tariff of concerned line.

19. The capital expenditure considered in the calculations for tariff is under:

| | (Rs. in lakh) |
|--|-----------------|
| Capital expenditure up to 31.3.2001 as per previous tariff setting | 30601.00 |
| FERV up to 31.3.2001 | 1712.96 |
| Capital expenditure up to 31.3.2001 including FERV | 32313.96 |
| Additional Capital Expenditure after 31.3.2001 | 0.00 |
| Total Capital expenditure considered for tariff determination | 32313.96 |

SOURCES OF FINANCING. DEBT – EQUITY RATIO

20. As per Para 4.3 of the notification dated 26.3.2001, capital expenditure of the transmission system shall be financed as per approved financial package set out in the techno-economic clearance of CEA or as approved by an appropriate independent agency, as the case may be. The petitioner has claimed tariff by taking debt and equity in the ratio of 50:50 of the net fixed assets as on 1.4.1997. It is pointed out on behalf of the respondents that taking debt and equity as claimed by the petitioner will result into higher return on equity (ROE). The respondents have submitted that equity of 20% or 30% should be considered for the purpose of fixation of tariff. In the present case, the assets were commissioned before 01.4.1997 and Ministry of Power while notifying tariff had considered debt and equity on notional basis in the ratio of 50:50 of the Net Fixed Assets as on 1.4.1997 in view of the notification dated 16.12.1997. Therefore, the debt-equity ratio of 50:50 as considered by Ministry of Power has been maintained for determination of tariff in the present petition. FERV allowed has been

added to the loan and equity as on 01.04.2001 in the ratio of 50:50, in which the last tariff was determined by Ministry of Power.

INTEREST ON LOAN

21. As provided in the notification dated 26.3.2001, interest on loan capital is to be computed on the outstanding loans, duly taking into account the schedule of repayment, as per financial package approved by CEA or any independent agency. In keeping with this provision, while calculating Interest on loan, closing balance of the notional loan as on 31.03.2001 has been taken as opening balance of the loan as on 1.4.2001. Repayment of the loan during the year has been worked out in accordance with the following formula or as per the actual repayment during the year as claimed by the petitioner, whichever is higher:

$$\frac{\text{Actual repayment during the year} \times \text{normative net loan at the beginning of the year}}{\text{actual net loan at the beginning of the year}}$$

22. Based on the above methodology, repayments of loan during 2001-2002, 2002-2003 and 2003-2004 have been arrived at Rs. 1294.04 lakh, Rs. 812.55 lakh and Rs. 612.55 lakh respectively and have been considered.

23. On the basis of actual rate of interest on actual average loans based on information available in the petition and the loan allocation details, the weighted rate of interest on loan has been worked out and the same has been applied on the normative average loan during the year to arrive at the interest on loan. The details of calculation of weighted average rate of interest are as given below:

Calculation of Weightage Average Rate of Interest

(Rs. in Lakh)

| Details of Loan | 2001-02 | 2002-03 | 2003-04 |
|---|--|---------|---------|
| NTPC Bonds | | | |
| Gross Loan -Opening ¹ | 31.21 | 31.21 | 31.21 |
| Cumulative Repayment up to Previous Year | 0.00 | 31.21 | 31.21 |
| Net Loan-Opening | 31.21 | 0.00 | 0.00 |
| Repayment during the year | 31.21 | 0.00 | 0.00 |
| Net Loan-Closing | 0.00 | 0.00 | 0.00 |
| Average Loan | 15.61 | 0.00 | 0.00 |
| Rate of Interest | 9.00% | 9.00% | 9.00% |
| Interest | 1.40 | 0.00 | 0.00 |
| Repayment Schedule | Bullet- 20.03.2002 | | |
| | | | |
| Sumitomo (Replacement of Exim) | | | |
| Gross Loan -Opening ¹ | 2416.14 | 2416.14 | 2416.14 |
| Cumulative Repayment up to Previous Year | 1539.06 | 1978.82 | 2416.14 |
| Net Loan-Opening | 877.07 | 437.32 | 0.00 |
| Repayment during the year | 439.75 | 437.32 | 0.00 |
| Net Loan-Closing | 437.32 | 0.00 | 0.00 |
| Average Loan | 657.20 | 218.66 | 0.00 |
| Rate of Interest | 0.7825% | 0.7825% | 0.7825% |
| Interest | 5.14 | 1.71 | 0.00 |
| Repayment Schedule | Half-Yearly Instalments- 18.09.2001, 18.03.2002, 18.09.2002 and 18.03.2003 | | |
| | | | |
| IBJ-III (Replacement of Exim Bank) | | | |
| Gross Loan -Opening ¹ | 1976.12 | 1976.12 | 1976.12 |
| Cumulative Repayment up to Previous Year | 0.00 | 0.00 | 2.43 |
| Net Loan-Opening | 1976.12 | 1976.12 | 1973.69 |
| Repayment during the year | 0.00 | 2.43 | 439.75 |
| Net Loan-Closing | 1976.12 | 1973.69 | 1533.94 |
| Average Loan | 1976.12 | 1974.90 | 1753.81 |
| Rate of Interest | 3.0850% | 3.0850% | 3.0850% |
| Interest | 60.96 | 60.93 | 54.11 |
| Repayment Schedule | Half-Yearly Instalments- 21.03.2003, 21.09.2003 and 21.03.2004 | | |
| | | | |

| | | | |
|--|----------------------|---------|---------|
| Bond-I (Issue-III) | | | |
| Gross Loan -Opening | 137.37 | 137.37 | 137.37 |
| Cumulative Repayment up to Previous Year | 0.00 | 137.37 | 137.37 |
| Net Loan-Opening | 137.37 | 0.00 | 0.00 |
| Repayment during the year | 137.37 | 0.00 | 0.00 |
| Net Loan-Closing | 0.00 | 0.00 | 0.00 |
| Average Loan | 68.69 | 0.00 | 0.00 |
| Rate of Interest | 9.00% | 9.00% | 9.00% |
| Interest | 6.18 | 0.00 | 0.00 |
| Repayment Schedule | Bullet on 10.03.2002 | | |
| | | | |
| Bond-III Series (2nd) | | | |
| Gross Loan -Opening | 79.31 | 79.31 | 79.31 |
| Cumulative Repayment up to Pre. Year | 0.00 | 0.00 | 0.00 |
| Net Loan-Opening | 79.31 | 0.00 | 0.00 |
| Repayment | 79.31 | 0.00 | 0.00 |
| Net Loan-Closing | 0.00 | 0.00 | 0.00 |
| Average Loan | 39.66 | 0.00 | 0.00 |
| Rate of Interest | 9.75% | 9.75% | 9.75% |
| Interest | 3.87 | 0.00 | 0.00 |
| Repayment Schedule | Bullet on 28.10.2001 | | |
| | | | |
| Bond-III Series (1st) | | | |
| Gross Loan -Opening | 12.69 | 12.69 | 12.69 |
| Cumulative Repayment up to Pre. Year | 0.00 | 0.00 | 0.00 |
| Net Loan-Opening | 12.69 | 0.00 | 0.00 |
| Repayment | 12.69 | 0.00 | 0.00 |
| Net Loan-Closing | 0.00 | 0.00 | 0.00 |
| Average Loan | 6.35 | 0.00 | 0.00 |
| Rate of Interest | 13.50% | 13.50% | 13.50% |
| Interest | 0.86 | 0.00 | 0.00 |
| Repayment Schedule | Bullet on 28.02.2002 | | |
| | | | |
| Total Loan | | | |
| Gross Loan -Opening | 4652.83 | 4652.83 | 4652.83 |
| Cumulative Repayment up to Previous Year | 1539.06 | 2147.40 | 2587.15 |
| Net Loan-Opening | 3113.77 | 2413.44 | 1973.69 |
| Repayment during the year | 700.33 | 439.75 | 439.75 |
| Net Loan-Closing | 2413.44 | 1973.69 | 1533.94 |
| Average Loan | 2763.60 | 2193.56 | 1753.81 |
| Rate of Interest | 2.8374% | 2.8555% | 3.0850% |
| Interest | 78.41 | 62.64 | 54.11 |
| ¹ Amount of loan outstanding as on 31.03.1992 in the transferor books (as per the affidavit filed on 26.03.2003 by PGCIL) | | | |

24. On the basis of above details, interest on loan has been worked out as under:

| | (Rs. in lakh) | | |
|--|----------------|----------------|----------------|
| | 2001-02 | 2002-03 | 2003-04 |
| Gross Loan -Opening | 12920.98 | 12920.98 | 12920.98 |
| Cumulative Repayment up to the previous Year | 7167.52 | 8461.56 | 9274.11 |
| Net Loan-Opening | 5753.46 | 4459.42 | 3646.87 |
| Repayment during the year | 1294.04 | 812.55 | 812.55 |
| Net Loan-Closing | 4459.42 | 3646.87 | 2834.33 |
| Average Loan | 5106.44 | 4053.15 | 3240.60 |
| Rate of Interest | 2.8374% | 2.8555% | 3.0850% |
| Interest | 144.89 | 115.74 | 99.97 |

25. Sumitomo (replacement of Exim) loan carry floating rate of interest and the interest rate as submitted by the petitioner stated to be prevailing as on 01.04.2001 has been taken in the calculation. In view of the above, any change/resetting of the interest rate of the above loan during the tariff period covered in this petition would require settlement of the same mutually between the parties. In case the parties are unable to resolve the issue, any one of them may approach the Commission for appropriate decision.

26. the petition consists of various transmission elements with different dates of commercial operation from 1986 to 1994. These elements were partly financed from foreign loans, that is, Sumitomo (Replacement of Exim) and IBJ-III (Replacement of Exim Bank) loan denominated in JPY. The petitioner has considered exchange rate at DOCO/01.04.1992 as Rs.0.235571 for all the elements in the petition for calculation of Gross loan, Cumulative repayments and FERV. As allocation of loan is separately not available for above elements claimed in the petition, the exchange rate as given in the petition is considered in the calculation.

DEPRECIATION

27. Based on the notification dated 26.3.2001, the petitioner is entitled to claim depreciation. The salient provisions for calculation of depreciation as per the notification dated 26.3.2001 are reproduced below:

- (i) The value base for the purpose of depreciation shall be the historical cost of the asset.
- (ii) Depreciation shall be calculated annually as per straight-line method at the rate of depreciation as prescribed in the Schedule attached to the notification dated 26.3.2001 dated 26.3.2001

Provided that the total depreciation during the life of the project shall not exceed 90% of the approved original cost. The approved original cost shall include additional capitalisation on account of foreign exchange rate variation also.

- (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.
- (v) Depreciation against assets relating to environmental protection shall be allowed on case-to-case basis at the time of fixation of tariff subject to the condition that the environmental standards as prescribed have been complied with during the previous tariff period.

28. The petitioner has claimed the depreciation on the capital expenditure in accordance with the above principles. In the calculation, depreciation has been worked out on the capital cost as per para 7 above and the rates as prescribed in the notification dated 26.03.2001. For working out cumulative depreciation the depreciation as per last tariff setting has been considered.

29. Based on the above, depreciation for individual items of capital expenditure has been calculated on the capital cost of Rs. 32313.96 lakh at the rates as prescribed in the notification dated 26.3.2001. While approving depreciation component of tariff, the weighted average depreciation rate of 2.80% has been worked out. For working out cumulative depreciation, the depreciation as per the Ministry of Power notifications dated 4.12.1998 and 11.5.1999 has been taken into consideration. The capital cost has been considered as per the details furnished by the petitioner. The calculations in support of weighted average rate of depreciation of 2.80% are appended hereinbelow:

| (Rs. in lakh) | | | | | | |
|--|-----------------|-----------------------|---------------------------|-----------------------|----------------------|---------------|
| | Total | FERV up to 31.03.2001 | Total Cost including FERV | Approved capital cost | Rate of Depreciation | Depreciation |
| Capital Expenditures as on 31.03.2001 | | | | | | |
| Land | 648.00 | 36.27 | 684.27 | | 0% | 0.00 |
| Building & Other Civil Works | 1605.00 | 89.84 | 1694.84 | | 1.80% | 30.51 |
| Sub-Station Equipment | 18792.00 | 1051.93 | 19843.93 | | 2.57% | 509.99 |
| Transmission Line | 9474.00 | 530.33 | 10004.33 | | 3.60% | 360.16 |
| PLCC | 82.00 | 4.59 | 86.59 | | 6.00% | 5.20 |
| Total | 30601.00 | 1712.96 | 32313.96 | 35579.00 | | 905.85 |
| | 30601.00 | 1712.96 | | | | 2.80% |

30. Accordingly, depreciation has been allowed as calculated below:

| (Rs. in lakh) | | | | |
|----------------------------------|----------|---------------|---------------|---------------|
| | | 2001-02 | 2002-03 | 2003-04 |
| Rate of Depreciation | 2.80% | | | |
| Depreciable Value | 29082.57 | | | |
| Balance Useful life of the asset | | | | |
| Remaining Depreciable Value | | 15443.05 | 14366.30 | 13460.45 |
| Depreciation | | 905.85 | 905.85 | 905.85 |

ADVANCE AGAINST DEPRECIATION

31. In addition to allowable depreciation, the petitioner becomes entitled to Advance Against Depreciation when originally scheduled loan repayment exceeds the depreciation allowable as per schedule to the notification. Advance Against Depreciation is computed in accordance with the following formula:

AAD = Originally scheduled loan repayment amount subject to a ceiling of 1/12th of original loan amount minus depreciation as per schedule.

32. The petitioner has claimed Advance Against Depreciation on the basis of
- 1/12th of gross loan worked out as per the gross block admitted by the Commission in the petition for previous tariff setting,
 - Repayment of loans during the year and in case of foreign currency loan multiplying the repayment with exchange rate as on 31.3.2001 and depreciation on FERV as repayment during the year in the case of notional loan, and
 - depreciation as claimed in the petition.

33. The entitlement of the petitioner has been considered in accordance with the notification dated 26.3.2001. In the calculation, Advance Against Depreciation has been worked out on the basis of gross loan and repayment (including of notional loan) and depreciation as worked out above. The petitioner's entitlement to Advance Against Depreciation has been calculated as shown below:

| (Rs. in lakh) | | | |
|-------------------------------------|----------------|----------------|----------------|
| Advance Against Depreciation | 2001-02 | 2002-03 | 2003-04 |
| 1/12th of Gross Loan(s) | 1076.75 | 1076.75 | 1076.75 |
| Scheduled Repayment of the Loan(s) | 1294.04 | 812.55 | 812.55 |
| Minimum of the above | 1076.75 | 812.55 | 812.55 |
| Depreciation during the year | 905.85 | 905.85 | 905.85 |
| Advance Against Depreciation | 170.90 | 0.00 | 0.00 |

OPERATION & MAINTENANCE EXPENSES

34. In accordance with the notification, Operation and Maintenance expenses, including expenses on insurance, if any, are to be calculated as under:

- i) Where O&M expenses, excluding abnormal O&M expenses, if any, on sub-station (OMS) and line (OML) are separately available for each region, these shall be normalised by dividing them by number of bays and line length respectively. Where data as aforesaid is not available, O&M expenses in the region are to be apportioned to the sub-station and lines on the basis of 30:70 ratio and these are to be normalised as below:

O&M expenses per Unit of the line length in Kms (OMLL) =
Expenses for lines (OML)/Average line length in Kms (LL)

O&M expenses for sub-stations (OMBN) = O&M expenses for
substations (OMB)/Average number of bays (BN)]

- ii) The five years average of the normalised O&M expenses for lines and for bays for the period 1995-96 to 1999-2000 is to be escalated at 10% per annum for two years (1998-99 and 1999-2000) to arrive at normative O&M expenses per unit of line length and per bay for 1999-2000.
- iii) The normative O&M per unit length and normative O&M per bay for the year 1999-2000 for the region derived in the preceding paragraph is to be escalated @ 6% per annum to obtain normative values of O&M expenses per unit per line length and per bay in the relevant year. These normative values are to be multiplied by line length and number of bays (as the case may be) in a given system in that year to compute permissible O&M expenses for the system.
- iv) The escalation factor of 6% per annum is to be used to revise normative base figure of O&M expenses. Any deviation of the escalation factor computed from the actual inflation data that lies within 20% of the notified escalation factor of 6% shall be absorbed by utilities/beneficiaries.

35. The different elements of Operation & Maintenance expenses have been considered in the succeeding paragraphs in the light of provisions of the notification dated 26.3.2001 based on the data available since 1995-96.

Employee Cost

36. The petitioner has, inter alia, claimed incentive and *ex gratia* as a part of employee cost. The petitioner was asked to specify the amount of minimum statutory bonus paid to its employees under the Payment of Bonus Act. The petitioner vide its affidavit dated 6.2.2003 has stated that the incentive paid to employees does not include minimum statutory bonus. The petitioner has further stated that the *ex gratia* was being paid in lieu of bonus, as is customary and a normal practice followed in private and public sectors. The petitioner has also furnished a write-up on Incentive scheme in support of the claim. It has been clarified on behalf of the petitioner that even the top management of the petitioner company is paid incentive and *ex gratia* included as a part of employee cost in O&M expenses claimed. The payment of incentive other than the statutory minimum bonus is at the discretion of the petitioner company and should be borne out of its profits or incentive earned from the respondents for higher availability of the Transmission System. In view of the above, the incentive and *ex gratia* payments made by the petitioner to its employees have been kept out of consideration for calculation of employee cost.

37. The petitioner was directed to furnish details of the arrears on account of pay and allowances for the period prior to 1995-96, but paid between 1995-96 to 1999-2000. The petitioner has submitted the details of such arrears, amounting to Rs.48.21 lakh and Rs 53.17 lakh paid for Eastern Region during 1995-96 and 1996-97. Similarly, the arrears for the previous years included in the employee cost for 1995-96 and 1996-97 for Corporate Office were stated to be Rs. 9.61 lakh and Rs. 35.60 lakh. The petitioner has also submitted that the arrears on account of pay revision from 01.01.97 to 31.03.2000 have been paid during the years 2000-01 and 2001-02 also.

The amounts of these arrears as claimed by the petitioner are Rs.159.26 lakh and Rs.(-) Rs.4.39 lakh for Eastern Region and Rs. 297.13 lakh and Rs. 109.95 lakh for the Corporate Office for the years 2000-01 and 2001-02 respectively. The petitioner has prayed that the arrears on account of pay and allowances for the period prior to 1995-96 should be deducted while those pertaining to the period from 1995-96 to 1999-2000 but paid subsequent to 1999-2000 should be added to O&M charges. The petitioner has argued that since these pay arrears pertain to the period being considered for fixation of normative O&M, the arrears should be considered while fixing the normative O&M. We find the submission of the petitioner to be logical and have considered the submission in the calculation of employee cost.

Repair & Maintenance Expenses

38. WBSEB has stated that the petitioner has not furnished sufficient explanation for about 81% increase in repair and maintenance expenses during 1997-98 over those of 1996-97. It is noted that the petitioner has explained that this variation is due to major repair in Kahalgaon-Biharshariff line due to collapse of tower. . Major repair is not a regular phenomenon, and hence expenses on this account have to be excluded from the process of normalisation. Therefore, "repair and maintenance" expenses in 1998-99 have been limited to Rs.399.68 lakh (20% over and above the "repair and maintenance" expenses for the year 1996-97). However, if any major repairs are undertaken during the tariff period covered by this order, the petitioner may approach the Commission with proper justification to claim the actual expenses as a part of O&M expenses.

Power Charges

39. In case of Corporate Office, the power charges as claimed by the petitioner have been considered in the calculation of O&M expenses. In case of Eastern Regional Transmission System (ERTS) the petitioner was directed to submit break up of power charges between substation facilities and the residential colonies. The petitioner in its affidavits filed in these proceedings has submitted the break up. Since, power charges for residential quarters in the colony are recoverable from the employees, such charges amounting to Rs 13.96 lakh, Rs 15.19 lakh, Rs 22.4 lakh, Rs 48.77 lakh and Rs 32.47 lakh for the five years from 1995-96 to 1999-2000 have been deducted from the total power charges claimed by the petitioner for the purpose of normalisation.

Insurance

40. It has been noted that the petitioner has a policy of self-insurance for which it has created the insurance reserve. The insurance charges claimed by the petitioner are credited to the insurance reserve. The petitioner was directed to furnish the management policy on creation of insurance reserve, items of loss secured and the conditions thereto. The petitioner has submitted insurance policy of the petitioner company under affidavit dated 6.2.2003. The key features of the policy submitted by the petitioner are as under:

- (a) Insurance reserve is created @ 0.1% on gross value of fixed assets at the close of the year, to meet the future losses arising from uninsured risks, except machinery breakdown for valve hall of HVDC, and fire risk of HVDC equipment and SVC sub-stations.
- (b) The policy generally covers following:

- (i) Fire, lightning, explosion/implosion, and bush fire
 - (ii) Natural calamity: flood, earthquake, storm, cyclone, typhoon, tempest, hurricane, tornado, subsidence and landslide
 - (iii) Riot, strike/ malicious and terrorist damage
 - (iv) Theft, burglary, Missile testing equipment, impact damage due to rail/ road or animal, aircraft and articles dropped there from.
- (c) The losses of assets caused by the above causes are adjusted against insurance reserve as per the corporation guidelines.
- (d) The amount so set aside in the insurance reserve has not been separately claimed from the respondents and the expenses have been met from the permitted O&M charges under the tariff.

41. The petitioner has stated that the policy of self-insurance has also been followed by NHPC, where 0.5% per annum of the gross block of O&M projects is transferred to self-insurance reserve account. It has also been informed that the rate of 0.1% as booked under O&M expenses towards self-insurance reserve is lower than the insurance premium (0.22%) being charged by the insurance companies for the risks covered in the self-insurance policy. In support of this claim, the petitioner has placed on record a letter from Reliance General Insurance Company quoting for the insurance rate of the assets covered in the self-insurance policy of the petitioner company.

42. In view of the explanation furnished on behalf of the petitioner, the insurance charges as claimed have been considered in O&M expenses. We, however, make it explicit that the self-insurance provided by the petitioner is for replacement of the

damaged assets and the beneficiaries shall not be charged anything in case of damage due to any of the events mentioned in the insurance policy.

43. In case of Training & Recruitment expenses, Communication expenses, Traveling, Rent, and Miscellaneous Expenses as claimed by the petitioner have been considered for calculation, both in the case of the ERTS as well as Corporate Office.

Other Expenses

44. In case of ERTS, the petitioner has stated that the provisions are made for the losses and shortage of store materials and for the doubtful advances paid to contractors. Since all these items are controllable by the petitioner and reflect the managerial efficiency of the petitioner, the provisions made in case of ERTS on this account have not been considered as admissible for reimbursement. In case of Corporate Office, the following expenses have not been admitted for reimbursement:

(a) Donation of Rs. 0.05 lakh, Rs. 30 lakh, Rs. 34.78 lakh and Rs. 600.03 lakh for the years 1995-96, 1996-97, 1998-99 and 1999-2000, as these donations are not related to transmission business. The expenditure on account of the donations need be borne by the petitioner out of other profits of the corporation.

(b) Provisions of Rs. 1107.61 lakh, Rs. 385.8 lakh and Rs. 0.27 lakh for the year 1996-97, 1997-98 and 1999-2000. These provisions were made for the loss of stores in Eastern Region and North Eastern Region, for bad and doubtful debt in Northern Region and for shortage of store in North Eastern Region. The petitioner has stated that provision of loss of

store in Eastern Region (Rs 863.16 lakh in 1996-97) and provision of bad and doubtful debt in Northern Region (Rs 385.80 lakh in 1997-98) were written back during subsequent years in the regional books of account. In view of this, the petitioner has submitted that these expenses need not be considered while fixing the O&M of the respective regions. As all these items are controllable by the petitioner and reflect the managerial efficiency. However, an amount of Rs. 11.14 lakh on account of fire at the corporate office in 1998-99 has been considered as admissible under the head provisions.

- (c) Legal expenses amounting to Rs. 2.65 lakh in the Corporate Office on legal opinion on CERC matters have not been allowed in line with the Commission's policy of allowing only the fees for the petitions filed in the Commission. However, other legal expenses for disputes related to compensation, contracts, service matters and labour cases have been admitted.

Recoveries

45. The details of the recoveries for the ERTS and the Corporate Office were furnished by the petitioner vide affidavit dated 6th February 2003. The petitioner in the aforesaid affidavit also furnished the "complete details" of the recoveries for the ERTS. According to the petitioner, the income from sale of bid documents has already been adjusted for under the sub-head Tender Expenses under the head Other Expenses. Hence, income under this sub-head has not been considered in the recovery for the ERTS as well as Corporate Office. Similarly, electricity charges recovered/recoverable from employees residential buildings and other residential buildings have not been

considered under the head “recovery” as the power charges for colony consumption have been deducted in case of the ERTS.

Allocation of Corporate Office Expenses to Various Regions

46. The petitioner has submitted the method for allocation of Corporate Office expenses to various Regions. The key steps in the apportionment of Corporate Office expenses among the regions are as under:

- i) Expenses booked under Training & Recruitment, Directors sitting fees, provisions, R&D, Write off of fixed assets/ non-operating expenses and donations are considered exclusively as O&M expenses.
- ii) After deducting these exclusive O&M expenses, the balance Corporate Office expenses are allocated in the ratio of Transmission charges to annual Capital outlay to obtain expenses allocated to O&M and construction activity.
- iii) The allocation to O&M activity obtained in step (ii) is added to exclusive O&M expenses obtained in step (i) to arrive at total O&M expenses in the Corporate Office.
- iv) RLDC expenses are then deducted from the total O&M expenses obtained in step (iii) to arrive at O&M expenses allocated to transmission business.
- v) O&M expenses allocated to transmission business are then allocated to various regions in the ratio of their respective transmission charges.

47. The methodology adopted by the petitioner for allocation of Corporate Office O&M expenses has been approved and followed in the calculation of O&M expenses. The comparative statement of O&M expenses claimed by the petitioner and those allowed and considered for the years 1995-96 to 1999-2000 for the purpose of computation of O&M expenses for the tariff period are given herein below:

**DETAILS OF O&M EXPENSES FOR POWERGRID SYSTEM IN
EASTERN REGION**

(All Figures in Rs. Lakhs)

| Items | 1995-96 | | 1996-97 | | 1997-98 | | 1998-99 | | 1999-2000 | |
|-------------------------------|-------------------|----------------|-------------------|----------------|-------------------|----------------|-------------------|----------------|-------------------|----------------|
| | As per Petitioner | As allowed for | As per Petitioner | As allowed for | As per Petitioner | As allowed for | As per Petitioner | As allowed for | As per Petitioner | As allowed for |
| Employee Cost | 1003.20 | 843.52 | 1236.89 | 1108.76 | 1672.90 | 1600.67 | 1970.16 | 1907.01 | 2551.38 | 2167.94 |
| Repair & Maintenance | 263.18 | 263.18 | 333.07 | 333.07 | 602.04 | 399.68 | 407.97 | 407.97 | 533.34 | 533.34 |
| Power Charges | 302.04 | 288.08 | 367.49 | 352.30 | 400.30 | 377.90 | 378.85 | 330.08 | 407.02 | 374.55 |
| Training & Recruitment | 15.17 | 15.17 | 9.14 | 9.14 | 5.12 | 5.12 | 18.25 | 18.25 | 2.32 | 2.32 |
| Communications | 106.71 | 106.71 | 99.94 | 99.94 | 113.20 | 113.20 | 112.85 | 112.85 | 86.81 | 86.81 |
| Travelling | 193.08 | 193.08 | 191.47 | 191.47 | 228.42 | 228.42 | 236.18 | 236.18 | 270.55 | 270.55 |
| Printing & Stationery | 15.82 | 15.82 | 15.84 | 15.84 | 18.06 | 18.06 | 20.69 | 20.69 | 16.00 | 16.00 |
| Rent | 14.06 | 14.06 | 13.64 | 13.64 | 16.16 | 16.16 | 16.33 | 16.33 | 15.76 | 15.76 |
| Miscellaneous Expenses | 210.50 | 210.50 | 269.26 | 269.26 | 283.90 | 283.90 | 375.72 | 375.72 | 533.27 | 533.27 |
| Insurance | 6.78 | 6.78 | 7.99 | 7.99 | 98.26 | 98.26 | 102.58 | 102.58 | 104.55 | 104.55 |
| Others | 76.41 | 71.51 | 64.24 | 60.17 | 176.36 | 120.52 | 493.99 | 395.28 | 75.44 | 75.44 |
| Corporate Expenses Allocation | 536.01 | 524.66 | 414.68 | 204.09 | 391.89 | 338.04 | 349.15 | 348.38 | 402.73 | 325.67 |
| TOTAL | 2742.96 | 2553.07 | 3023.65 | 2665.67 | 4006.61 | 3599.94 | 4482.72 | 4271.32 | 4999.17 | 4506.20 |
| Less : Recoveries | | 23.78 | | 64.49 | | 13.18 | | 10.01 | | 15.64 |
| Net O&M Expenses | 2742.96 | 2529.29 | 3023.65 | 2601.18 | 4006.61 | 3586.76 | 4482.72 | 4261.31 | 4999.17 | 4490.56 |

NOTE: Only charges for power consumption at sub-stations has been considered admissible

Method of Normalizing O&M Expenses

48. The following formulae for calculation of normative O&M expenses as per the notification, as amended vide Central Electricity Regulatory Commission (Terms and

Conditions of Tariff) (Second Amendment) Regulations, 2003 published in the Gazette of India on 2.6.2003 have been followed

$$AVOMLL = \frac{1}{5} \sum_{i=1995-1996}^{1999-2000} \frac{|OML_i|}{|LL_i|}$$

$$AVOMBN = \frac{1}{5} \sum_{i=1995-1996}^{1999-2000} \frac{|OMS_i|}{|BN_i|}$$

Where:

AVOMLL and AVOMBN are average normalized O&M expenses per Ckt. km of line length and per bay respectively.

OML_i and OMS_i are O&M expenses for the lines and for the sub-stations for the ith year respectively.

LL_i and BN_i are the total line length in Ckt. km and total number of bays in the ith year respectively.

49. In the process of normalisation, abnormal expenses such as expenses on account of additional security have to be deducted as per the notification, for which the petitioner may file separate petition. Accordingly, the amount of Rs 23.33 lakhs, Rs 0.68 lakhs, Rs 24.78 lakhs and Rs 143.56 lakhs spent on CISF security at Salakati Sub-station of the Chukha Transmission System for the years 1996-97 to 1999-200 has been deducted from the total O&M expenses for the region.

50. As per the above method, AVOMLL and AVOMBN are calculated based on the data for the years 1995-96 to 1999-2000. These normalised averages correspond to

the year 1997-98. After escalating these averages by 10% per annum for two years, the normative O&M expenses for the base year 1999-2000 have been obtained. Normative O&M expenses for subsequent years are obtained by escalating these normative figures by 6% per annum. Following table gives comparison of the normative O&M expenses as calculated by the petitioner and as per our calculations allowed for the base year i.e. 1999-2000 and afterwards:

NORMALIZED O&M EXPENSES FOR EASTERN REGION

(All Figures in Rs. Lakhs)

| S. NO. | Items | 1995-96 | 1996-97 | 1997-98 | 1998-99 | 1999-2000 | Total for five years 95-96 to 99-00 | 99-00 | 2000-01 | 2001-02 | 2002-03 | 2003-04 |
|--------|---|---------|---------|----------------|----------------|----------------|-------------------------------------|----------------|----------------|----------------|----------------|----------------|
| 1 | Total O&M expenses(Rs. Lakhs) | 2529.29 | 2601.18 | 3586.76 | 4261.31 | 4490.56 | | | | | | |
| 2 | Abnormal O&M expenses | 0.00 | 23.33 | 0.68 | 24.78 | 143.56 | 192.35 | | | | | |
| 3 | Normal O&M expenses (S.No. 1 -S.NO. 2) | 2529.29 | 2577.85 | 3586.08 | 4236.53 | 4347.00 | | | | | | |
| 4 | OML (O&M for lines)= 0.7 X S. NO.3 | 1770.50 | 1804.49 | 2510.25 | 2965.57 | 3042.90 | 12093.71 | | | | | |
| 5 | OMS (O&M for substation) = 0.3XS.NO.3 | 758.79 | 773.35 | 1075.82 | 1270.96 | 1304.10 | 5183.02 | | | | | |
| 6 | Line length at beginning of the year in Kms. | 4418.70 | 4418.70 | 4418.70 | 4482.70 | 4665.70 | | | | | | |
| 7 | Line length added in the year in Kms. | 0.00 | 0.00 | 64.00 | 183.00 | 86.00 | | | | | | |
| 8 | Line length at end of the year in Kms. | 4418.70 | 4418.70 | 4482.70 | 4665.70 | 4751.70 | | | | | | |
| 9 | LL (Average line length in the Region) | 4418.70 | 4418.70 | 4450.70 | 4574.20 | 4708.70 | 22571.00 | | | | | |
| 10 | NO. of bays at beginning of the year | 76 | 88 | 88 | 90 | 92 | | | | | | |
| 11 | NO. of bays added in the year | 12 | 0 | 2 | 2 | 1 | | | | | | |
| 12 | NO. of bays at the end of the year | 88 | 88 | 90 | 92 | 93 | | | | | | |
| 13 | BN (Average number of bays in the Region) | 82.0 | 88.0 | 89.0 | 91.0 | 92.5 | 442.50 | | | | | |
| 14 | AVOMLL(OML/LL) | 0.40 | 0.41 | 0.56 | 0.65 | 0.65 | 2.668 | | | | | |
| 15 | AVOMBN(OMS/BN) | 9.25 | 8.79 | 12.09 | 13.97 | 14.10 | 58.194 | | | | | |
| 16 | NOMLL(allowable O&M per unit of line length) | | | 0.5335 | 0.5869 | 0.6456 | | 0.6456 | 0.6843 | 0.7254 | 0.7689 | 0.8150 |
| 17 | NOMBN(Allowable O&M per bay) | | | 11.6389 | 12.8028 | 14.0831 | | 14.0831 | 14.9280 | 15.8237 | 16.7731 | 17.7795 |
| 18 | NOMLL(as calculated by petitioner) | | | 0.6000 | | | | 0.7300 | 0.7700 | 0.8200 | 0.8700 | 0.9200 |
| 19 | NOMBN(as calculated by petitioner) | | | 13.0500 | | | | 15.7900 | 16.7400 | 17.7400 | 18.8000 | 19.9300 |

NOTE:

Security expenses on account of CISF deployment have been considered in accordance with the Notification. The petitioner may file petition for reimbursement of such abnormal expenses with justification after they are incurred.

Reason for difference in the normative values calculated by us and by the petitioner

51. The differences in NOMLL and NOMBAN as calculated by the petitioner and as allowed are mainly on account of certain expenses disallowed by us as explained in preceding paragraphs. Using these normative values, O&M charges have been calculated.

52. In our calculations the escalation factor of 6% per annum has been used. In accordance with the notification, if the escalation factor computed from the observed data lies in the range of 4.8% to 7.2%, this variation shall be absorbed by the petitioner. In case of deviation beyond this limit, adjustment shall be made on by applying actual escalation factor arrived at on the basis of weighted price index of CPI for industrial workers (CPI_IW) and index of selected component of WPI (WPI_TR).

53. The details of O&M expenses allowed are given hereunder:

| 2001-02 | | | 2002-03 | | | 2003-04 | | |
|--------------------|-------------|----------------------------|--------------------|-------------|----------------------------|--------------------|-------------|----------------------------|
| Line length in Ckm | No. of bays | O&M expenses (Rs. in lakh) | Line length in Ckm | No. of bays | O&M expenses (Rs. in lakh) | Line length in Ckm | No. of bays | O&M expenses (Rs. in lakh) |
| 1539 | 17 | 1385.328 | 1539 | 17 | 1468.448 | 1539 | 17 | 1556.555 |

RETURN ON EQUITY

54. As per the notification dated 26.3.2001, return on equity shall be computed on the paid up and subscribed capital and shall be 16% of such capital. It further provides that premium raised by the Transmission Utility while issuing share capital &

investment of internal resources created out of free reserve of the existing utility, if any, for the funding of the project, shall also be reckoned as paid up capital for the purpose of computing the return on equity, provided such premium amount and internal resources are actually utilised for meeting the capital expenditure of the Transmission project and forms part of the approved financial package as set out in the techno-economic clearance accorded by the Authority.

55. The petitioner has claimed return on the basis of equity as was admitted in Ministry of Power notification while notifying tariff, along with notional equity arising out of FERV claimed. The same methodology has been followed for working out the return on equity. Thus the following amount of equity has been considered in the calculation of return of equity:

(Rs. in lakh)

| | |
|---|-----------------|
| Equity as allowed by Ministry of Power in previous tariff setting | 12064.50 |
| Notional Equity arising on account of FERV | 856.48 |
| TOTAL | 12920.98 |

56. On the above basis, the petitioner shall be entitled to return on equity of Rs. 2067.36 lakh each year during the tariff period.

INTEREST ON WORKING CAPITAL

57. As provided in the notification dated 26.3.2001, the interest on working capital shall cover:

(a) Operation and maintenance expenses (cash) for one month;

- (b) Maintenance spares at a normative rate of 1% of the capital cost less $1/5^{\text{th}}$ of the initial capitalised spares. Cost of maintenance spares for each subsequent year shall be revised at the rate applicable for revision of expenditure on O & M of the transmission system; and
- (c) Receivables equivalent to two months' average billing calculated on normative availability level, which is 98%.

58. The petitioner has claimed the maintenance spares on the basis of maintenance spares allowed in Ministry of Power for the year 1997-98 escalating the same as per weighted price index taking into account 60% of weightage for WPI & 40% of CPI and @ 6% p.a. for the years 2001-02 to 2003-04 and deducting the $1/5^{\text{th}}$ of the initial capitalized spares therefrom.

59. In keeping with the methodology prescribed in the notification dated 26.3.2001, working capital has been worked out. The value of maintenance spares for 1997-98 has been taken as considered by Ministry of Power and the same has been escalated up to 2000-01 as per respective WPI/CPI and thereafter the same has been further escalated @ 6% per annum for the tariff period 2001-02 to 2003-04. The necessary calculations in support of maintenance spares are appended here under:

| Maintenance Spares for Working Capital | | | | 1998-1999 | 1999-2000 | 2000-2001 |
|---|--------|--------|--------|------------------|------------------|------------------|
| Spares for Working Capital for the year 1997-1998 | 174.00 | 132.00 | 306.00 | | | |
| Weighted average Growth Rate of Index $((60\%*W1/W0)+(40\%*C1/C0))-1$ | | | | 6.66% | 5.86% | 6.00% |
| Spares for Working Capital for the year 1998-1999 to 2000-01 | | | | 326.38 | 345.51 | 366.24 |

60. The petitioner has claimed interest on working capital at the rate of 11.5%, based on annual SBI PLR for the year 2001-2002, which has been allowed separately by the Commission in certain other petitions and, therefore, the same has been allowed here also despite the objection of some of the respondents. The detailed calculations in support of interest on Working Capital are as under:

Interest on Working Capital

(Rs. in lakh)

| Working Capital | | 2001-02 | 2002-03 | 2003-04 |
|---|--------|----------------|----------------|----------------|
| Escalation for Maintenance Spares | 6% | | | |
| Maintenance Spares | 366.24 | | | |
| Less: 1/5 th of Initial Spares | 0.00 | | | |
| Maintenance Spares | 366.24 | 388.21 | 411.50 | 436.19 |
| O & M expenses | | 115.44 | 122.37 | 129.71 |
| Receivables | | 804.12 | 784.84 | 797.76 |
| Total | | 1,307.77 | 1,318.71 | 1,363.66 |
| Rate of Interest | | 11.50% | 11.50% | 11.50% |
| Interest | | 150.39 | 151.65 | 156.82 |

TRANSMISSION CHARGES

61. In the light of above discussion, we approve the transmission charges as given in the Table below:

TABLE

(Rs. in lakh)

| Transmission Tariff | 2001-02 | 2002-03 | 2003-04 |
|------------------------------|----------------|----------------|----------------|
| Interest on Loan | 144.89 | 115.74 | 99.97 |
| Interest on Working Capital | 150.39 | 151.65 | 156.82 |
| Depreciation | 905.85 | 905.85 | 905.85 |
| Advance against Depreciation | 170.90 | 0.00 | 0.00 |
| Return on Equity | 2067.36 | 2067.36 | 2067.36 |
| O & M Expenses | 1385.33 | 1468.45 | 1556.56 |
| Total | 4824.72 | 4709.04 | 4786.55 |

62. In addition to the transmission charges, the petitioner shall be entitled to other charges like Development Surcharge, income tax, incentive, surcharge and other cess and taxes in accordance with the notification dated 26.3.2001 subject to directions if any, of the superior courts. The petitioner shall also be entitled to recovery of filing fee of Rs 2 lakh, which shall be recovered from the respondents in five monthly installments of Rupees forty thousand each and shall be shared by the respondents in the same ratio as other transmission charges. This is subject to confirmation that the amount is not already included in the O&M charges.

63. The petitioner is already billing the respondents on provisional basis in accordance with the Commission's notification dated 4.4.2001 as extended from time to time. The provisional billing of tariff shall be adjusted in the light of final tariff now approved by us.

64. The transmission charges approved by us shall be included in the regional transmission tariff for Eastern Region and shall be shared by the regional beneficiaries in accordance with the notification dated 26.3.2001.

65. This order disposes of Petition No.12/2002.

Sd/-
(K.N. SINHA)
MEMBER

Sd/-
(G.S. RAJAMANI)
MEMBER

Sd/-
(ASHOK BASU)
CHAIRMAN

New Delhi dated the 4th August 2003