

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Coram:

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

Petition No. 143/2007

In the matter of

Determination of final transmission tariff for (a) LILO of Nagarjunasagar-Raichur 400 kV S/C transmission line at Mehboobnagar (1.1.2006 to 31.3.2009) along with associated bays and (b) LILO of both the circuits of Nellore-Sriperumbudur 400 kV D/C transmission line at Almathi (1.6.2006 to 31.3.2009) along with associated bays including additional capital expenditure for 2006-07, under system strengthening-IV of Southern Region Grid in Southern Region.

And in the matter of

Power Grid Corporation of India Limited, Gurgaon

...Petitioner

Vs

1. Karnataka Power Transmission Corporation Ltd., Bangalore
2. Transmission Corporation of Andhra Pradesh, Hyderabad
3. Kerala State Electricity Board, Thiruvananthapuram
4. Tamil Nadu Electricity Board, Chennai
5. Electricity Department, Government of Pondicherry, Pondicherry **Respondents**

The following were present:

1. Shri U.K. Tyagi, PGCIL
2. Shri C. Kannan, PGCIL
3. Shri B.C.Pant, PGCIL
4. Shri Rakesh Prasad, PGCIL
5. Shri Mohd. Mohsin, PGCIL
6. Shri S.K.Niranjan, PGCIL
7. Shri M.M.Mondal, PGCIL

**ORDER
(DATE OF HEARING: 3.1.2008)**

This petition has been filed for approval of tariff for (a) LILO of Nagarjunasagar-Raichur 400 kV S/C transmission line at Mehboobnagar (1.1.2006 to 31.3.2009) along with associated bays (Asset-I) and (b) LILO of both the circuits of Nellore-Sriperumbudur 400 kV D/C transmission line at Almathi along with associated bays at Almathi (Asset-II) (collectively referred to as `the transmission assets`) under the System Strengthening-IV of Southern Region Grid (the scheme) from the date of commercial operation of the respective asset 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 during 2006-07 in respect of Asset-II. The petitioner has also prayed for reimbursement of expenditure from the beneficiaries incurred towards publishing of notices in newspapers and the petition filing fee.

2. The administrative approval and expenditure sanction for the scheme was accorded by the Board of Directors of the petitioner company vide Memorandum dated 25.2.2004 at an estimated cost of Rs. 10194 lakh, which included IDC of Rs. 703 lakh.

3. The provisional transmission charges for the transmission assets covered in the present petition were approved by the Commission in its order dated 21.12.2006 in Petition No.105/2006. The dates of commercial operation of the transmission assets are stated to be as under:

S. No.	Name of the assets	Date of commercial operation
1.	Asset- I	1.1.2006
2.	Asset-II	1.6.2006

4. The details of the apportioned approved cost and the estimated completion cost of the transmission assets are given as under:

(Rs. in lakh)				
Name of the assets	Apportioned approved cost	Capital expenditure as on the date of commercial operation	Balance Expenditure	Total estimated completion cost
Asset- I	1098.51	1162.88	4.55	1167.43
Asset-II	9095.70	7698.45	1024.02	8803.10

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

(Rs. in lakh)							
	Asset-I				Asset-II		
	2005-06 (Pro rata)	2006-07	2007-08	2008-09	2006-07 (Pro rata)	2007-08	2008-09

Depreciation	10.42	41.67	41.67	41.67	178.01	214.65	214.65
Interest on Loan	15.42	59.77	56.69	53.61	342.79	400.97	384.67
Return on Equity	11.30	45.20	45.20	45.20	256.73	309.77	309.77
Advance against Depreciation	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Interest on Working Capital	1.33	5.37	5.46	5.55	23.76	28.99	29.40
O & M Expenses	14.69	61.09	63.52	66.08	135.10	168.44	175.33
Total	53.16	213.11	212.54	212.11	936.39	1122.81	1113.81

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

(Rs. in lakh)

	Asset-I				Asset-II		
	2005-06 (Pro rata)	2006-07	2007-08	2008-09	2006-07 (Pro rata)	2007-08	2008-09
Maintenance Spares	11.63	11.80	12.51	13.26	77.39	81.66	86.56
O & M expenses	4.90	5.09	5.29	5.51	13.51	14.04	14.61
Receivables	35.44	35.52	35.42	35.35	187.28	187.14	185.64
Total	51.96	52.41	53.23	54.12	278.17	282.84	286.81
Rate of Interest	10.25%	10.25%	10.25%	10.25%	10.25%	10.25%	10.25%
Interest	1.33	5.37	5.46	5.55	23.76	28.99	29.40

7. The reply to the petition has been filed by Tamil Nadu Electricity Board (TNEB). In response to the public notices published by the petitioner in accordance with the procedure specified by the Commission, no comments have been received from the general public.

CAPITAL COST

8. 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.

9. The petitioner has claimed additional capitalization of Rs.80.63 lakh on the works for the period from 1.6.2006 to 31.3.2007 over the capital expenditure of Rs.

7698.45 for Asset-II as on the date of commercial operation. For Asset-I, the petitioner has claimed capital cost of Rs. 1162.88 lakh as on the date of commercial operation.

ADDITIONAL CAPITALIZATION 2006-07

10. 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.”

11. The petitioner has submitted that its claim for additional capital expenditure of Rs. 80.63 lakh is in respect of the transmission line.

12. The additional capital expenditure claimed is within the original scope of work and is found to be in order as it was against the committed liability. Accordingly, the additional capital expenditure of Rs. 80.63 lakh has been allowed for Asset-II.

OTHER CAPITAL COST RELATED ISSUES

13. There are certain other issues arising in connection with the capital cost TNEB has stated that asset-wise cost, instead of the cost of the two assets put together may be considered to ascertain effective cost over-run. The contention of TNEB cannot be accepted. The scheme has been approved as a composite package and thereafter cost has been apportioned to different elements. After completion of the scheme as a

whole, a view regarding cost over-run can be possible on comparison of actual completion cost with approved project cost.

14. TNEB has further stated that investment approval does not specify the line-length and has requested the Commission to direct the petitioner to specify the line length in sanction in future. We accept the contention of TNEB. The petitioner is directed to specify all the relevant details, like line length in the sanction in future. This will promote transparency.

15. TNEB has objected to handing over the work of Asset-I to APTRANSCO. It has been opined that had the work been executed by petitioner the cost would have been much less. TNEB has also referred to lower cost of construction of LILO of 400 kV Nellore Sriperumbudur transmission line at Alamati by it.

16. It has been explained by the petitioner that the matter regarding cost of the work done through APTRANSCO was taken up with the latter. The clarifications furnished are also summarised below:

(i) Unlike LILO arrangement of 400 kV Nellore-Sriperumbudur D/C transmission line at Alamati (assigned to TNEB), LILO of Nagarjunasagar-Raichur 400 kV S/C transmission line at Mehboobnagar was carried out by construction of bus below the existing 400 kV S/C transmission line of the petitioner to minimise shut down period of 400 kV S/C Nagarjunasagar-Raichur transmission line.

(ii) Per circuit km cost works out to Rs.1.43 crore and not Rs.1.70 crore as stated in the reply of TNEB.

(iii) The cost of 164.386 ckt km of line constructed for LILO line at Alamati is not comparable with the cost of line of very short length (1.036 Ckt km) constructed for LILO at Mehboobnagar. Moreover, as per the requirement at site, two D-type towers had to be erected in such a short length resulting in increase in the cost of the transmission line.

(iv) As per TNEB reply, cost per bay at Mehboobnagar 400 kV sub-station has been mentioned as Rs.6.02 crore but the actual cost per bay works out to Rs. 4.06 crore.

(v) The cost of certain common items like road, cable trenches, surface drains, earthmat illumination and mandatory spares are also reflected in the cost of 2 nos. 400 kV bays at Mehboobnagar. However, in case of 400 kV bays constructed at Alamati, the cost of these common items are shared by 4 Nos. bays, thus, the reducing the cost per bay considerably.

(vi) Mandatory spares required for O&M of these bays are also included in the cost of these 2 Nos. 400 kV bays at Mehboobnagar.

(vii) The various tenders pertaining to this work and procurement of switchgear equipments etc. were finalized through competitive bidding only comparing the prices with those of petitioner etc., and after negotiation with the bidders.

17. The objection of TNEB has been considered but has been found to be without merit. We find the petitioner's explanation to be satisfactory. Mehboobnagar sub-station where work was to be undertaken is owned by APTRANSCO and, therefore, LILO work at Mehboobnagar sub-station was entrusted to APTRANSCO. For the similar reason, work of LILO of 400 kV Nellore-Sriperumbudar transmission line at Alamathi was executed by TNEB because Alamathi sub-station is owned by TNEB.

18. On careful consideration of above points raised by TNEB and reply of the petitioner, we are of the opinion that these issues do not merit any consideration in these proceedings for approval of tariff.

TIME OVER-RUN

19. As per the original approval, the transmission assets were scheduled to be commissioned by February 2007. The lines were declared under commercial operation on 1.1.2006 and 1.6.2006, respectively. There is no time over-run. The preponement of commissioning of these assets was discussed in 139th SREB meeting held on 19.12.2005 and all the constituents of Southern Region had agreed for early commissioning.

TOTAL CAPITAL COST

20. Based on the above, gross block as given below has been considered for the purpose of tariff for both the transmission assets, after allowing additional capitalization on woks as claimed by the petitioner:

(Rs. in lakh)			
	Expenditure up on date of commercial operation	Additional capital expenditure up to 31.3.2007	Total capital expenditure
Asset- I	1162.88	0.00	1162.88
Asset-II	7698.45	80.63	7779.08

DEBT- EQUITY RATIO

21. 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.”

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

23. In the present case, the petitioner has considered debt-equity ratio of 72.23:27.77 and 71.57:28.43 for the transmission assets. The petitioner has further considered the amount of additional capitalization in the debt-equity ratio of 70:30 for Asset-II. We have considered the actual debt-equity ratio on the date of commercial operation and for the additional capitalisation on works of Rs. 80.63 lakh for Asset-II, debt-equity ratio of 70:30 as considered by the petitioner. Accordingly, for the purpose of tariff, debt-equity considered for the transmission assets as under:

(Rs. in lakh)

	Capital cost as on the date of commercial operation	Equity on the date of commercial operation	Additional capital expenditure during 2006-07	Capital cost as on 1.4.2007	Addition of equity	Equity considered as on 1.4.2007 and afterwards
Asset- I	1162.88	322.88	0.00	1162.88	0.00	322.88
Asset-II	7698.45	2188.45	80.63	7779.08	24.19	2212.64
Total	8861.33	2511.33	80.63	8941.96	24.19	2535.52

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. Equity has been considered as given in the table below para 23 above. However, tariff from date of commercial operation to 31.3.2007 has been allowed on average equity. Accordingly, the petitioner shall be entitled to return on equity as under:

(Rs. in lakh)

Name of the assets	Equity as on the date of commercial operation	Addition due to additional capitalization	Average equity	Return on equity			
				2005-06 (Pro rata)	2006-07	2007-08	2008-09
Asset- I	322.88	0.00	322.88	11.30	45.20	45.20	45.20
Asset- II	2188.45	24.19	2200.54	-	256.73 (Pro rata)	309.77	309.77

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 loans opening has been considered from 2006-07.

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

(iii) Gross loans at (i) above has been considered and the weighted average rate of interest on loan for respective years as per above has been multiplied to arrive at interest on loan, considering (depreciation + AAD) 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 and rate of interest submitted have been used to work out weighted average rate of interest on actual loan.

(ii) Notional loan arising out of additional capitalization from date of commercial operation to 31.3.2007 has been added in loan amount as on date of commercial operation 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 :

Actual repayment of actual loan during the year

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

- (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:

Details of loan	Asset-I				Asset-II		
	2005-06 (Pro rata)	2006-07	2007-08	2008-09	2006-07 (Pro rata)	2007-08	2008-09
Interest on loan							
Opening Gross Loan	840.00	840.00	840.00	840.00	5510.00	5566.44	5566.44
Cumulative Repayment	0.00	10.42	52.09	93.76	0.00	178.01	392.65
Net Loan-Opening	840.00	829.58	787.91	746.24	5510.00	5388.43	5173.79
Additions due to Additional Capitalisation	0.00	0.00			56.44		
Repayment during the year	10.42	41.67	41.67	41.67	178.01	214.65	214.65
Net Loan-Closing	829.58	787.91	746.24	704.56	5388.43	5173.79	4959.14
Average Loan	834.79	808.75	767.07	725.40	5449.22	5281.11	5066.46
Weighted Average Rate of Interest on Loan	7.39%	7.39%	7.39%	7.39%	7.55%	7.59%	7.59%
Interest	15.42	59.77	56.69	53.61	342.79	400.97	384.67

30. The detailed calculations in support of the weighted average rate of interest are contained in Annexure-I and Annexure-II attached.

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. Depreciation allowed has been worked out as calculated below:

(Rs.in lakh)

Details of Depreciation	Asset-I				Asset-II		
	2005-06 (Pro rata)	2006-07	2007-08	2008-09	2006-07 (Pro rata)	2007-08	2008-09
Gross block as on the date of commercial operation	1162.88	1162.88	1162.88	1162.88	7698.45	7779.08	7779.08
Additional Capitalisation during the period	0.00	0.00	0.00	0.00	80.63	0.00	0.00
Gross Block at the end of the period	1162.88	1162.88	1162.88	1162.88	7779.08	7779.08	7779.08
Rate of Depreciation	3.5836%	3.5836%	3.5836%	3.5836%	2.7603%	2.7593%	2.7603%
Depreciable Value (90%)	1046.59	1046.59	1046.59	1046.59	6964.89	7001.17	7001.17
Balance Useful life of the asset	-	-	-	-	-	-	-
Remaining Depreciable Value	1046.59	1036.17	994.50	952.83	6964.89	6823.16	6608.52
Depreciation	10.42	41.67	41.67	41.67	178.01	214.65	214.65

ADVANCE AGAINST DEPRECIATION

33. 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

34. 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.

35. The petitioner has not claimed Advance Against Depreciation and accordingly Advance Against Depreciation has not been considered.

OPERATION & MAINTENANCE EXPENSES

36. 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
-----------------------------------	-------	-------	-------	-------	-------

37. The petitioner has claimed O & M expenses for 1.036 ckt km and 2 bays for Asset-I and 164.386 ckt. km and 4 bays of Asset - II, which have been allowed. Accordingly, the petitioner's entitlement to O & M expenses has been worked out as given hereunder:

(Rs. in lakh)								
	Asset-I				Asset-II			
	2005-06 (Pro-rata)	2006-07	2007-08	2007-08		2006-07 (Pro-rata)	2007-08	2008-09
O&M expenses for 1.036 ckt km	0.06	0.25	0.26	0.28	O&M expenses for 164.386 ckt km	33.70	41.92	43.73
O&M expenses for 2 bays	14.63	60.84	63.26	65.80	O&M expenses for 4 bays	101.40	126.52	131.60
TOTAL	14.69	61.09	63.52	66.08	TOTAL	135.10	168.44	175.33

38. The petitioner has submitted that the wage revision of its employees is due with effect from 1.1.2007. Therefore, according to the petitioner, 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

39. 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, element wise

capital expenditure on the date of commercial operation 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. 11.63 lakh and Rs. 76.98 lakh for Asset-I and Asset-II, respectively as on the date of commercial operation. The necessary details are given hereunder:

Transmission assets	Date of Commercial Operation	Capital Expenditure (Rs. in lakh) on the date of commercial operation	Escalated spares Cost (Rs. in lakh)
Asset- I	1.1.2006	1162.88	11.63
Asset-II	1.6.2006	7698.45	76.98

(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 1st April of year of commissioning, which is in accordance with the 2004 regulations and has been allowed.

40. The necessary computations in support of interest on working capital are appended herein below:

(Rs. in lakh)

	Asset-I				Asset-II		
	2005-06 (Pro rata)	2006-07	2007-08	2008-09	2006-07 (Pro rata)	2007-08	2008-09
Maintenance Spares	11.63	11.80	12.51	13.26	76.98	80.83	85.68
O & M expenses	4.90	5.09	5.29	5.51	13.51	14.04	14.61
Receivables	35.44	35.52	35.42	35.35	187.27	187.12	185.62
Total	51.97	52.41	53.23	54.12	277.76	281.99	285.92
Rate of Interest	10.25%	10.25%	10.25%	10.25%	10.25%	10.25%	10.25%
Interest	1.33	5.37	5.46	5.55	23.73	28.90	29.31

TRANSMISSION CHARGES

41. The transmission charges being allowed for the two transmission assets are summarised below:

(Rs. in lakh)

	Asset-I				Asset-II		
	2005-06 (Pro rata)	2006-07	2007-08	2008-09	2006-07 (Pro rata)	2007-08	2008-09
Depreciation	10.42	41.67	41.67	41.67	178.01	214.65	214.65
Interest on Loan	15.42	59.77	56.69	53.61	342.79	400.97	384.67
Return on Equity	11.30	45.20	45.20	45.20	256.73	309.77	309.77
Advance against Depreciation	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Interest on Working Capital	1.33	5.37	5.46	5.55	23.73	28.90	29.31
O & M Expenses	14.69	61.09	63.52	66.08	135.10	168.44	175.33
Total	53.16	213.10	212.54	212.11	936.35	1122.73	1113.72

42. 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.

43. The petitioner has sought approval for the reimbursement of expenditure of Rs.1,45,447/- incurred on publication of notices in the newspapers. The petitioner shall claim reimbursement of the said expenditure directly from the respondents in one installment in the ratio applicable for sharing of transmission charges.

44. The petitioner is already billing the respondents on provisional basis in accordance with the Commission's interim direction. The provisional billing of tariff shall be adjusted in the light of final tariff now approved by us.

OTHER ISSUES

45. The petitioner has submitted that transmission system completion schedule used to be 3-4 years and substantial parts of completion schedule is taken away by activities like forest clearance, land acquisition, environment and other statutory clearances which are beyond the control of petitioner. Therefore, to keep the project completion strictly as per schedule and to avoid deviation, the project completion was linked with the award of tower package since tower package is construed as the main elements of transmission system and all other activities are generally completed within the time schedule of tower package. With this philosophy, certainty of adherence to the targeted completion schedule is increased.

46. In the present case, a conscious effort was made by the petitioner to reduce the project completion schedule and it was kept as 30 months in the investment approval. However, the petitioner company is now reverting back to the previous system of linking the investment approval date with the completion schedule. This has been done at the instance of Ministry of Statistics and Programme Implementation's observations that – the gestation period for the projects commences from zero date, the very date of their approval by the competent authorities. This is

necessary to avoid controversy arising out of different sets of consideration for reckoning of the date of completion for the various projects.

47. This order disposes of Petition No.143/2007.

sd/-
(R.KRISHNAMOORTHY)
MEMBER
 New Delhi dated the 12th May 2008

sd/-
(BHANU BHUSHAN)
MEMBER

Annexure-I

LILO of Nagarjunasagar-Raichur 400 kV S/C transmission line at Mehboobnagar along with associated bays

CALCULATION OF WEIGHTED AVERAGE RATE OF INTEREST ON LOAN

(Rs. in Lakh)

	Details of Loan	2005-06	2006-07	2007-08	2008-09
1	Bond XVII				
	Gross Loan opening	840.00	840.00	840.00	840.00
	Cumulative Repayment upto DOCO/previous year	0.00	0.00	0.00	0.00
	Net Loan-Opening	840.00	840.00	840.00	840.00
	Additions during the year	0.00	0.00	0.00	0.00
	Repayment during the year	0.00	0.00	0.00	0.00
	Net Loan-Closing	840.00	840.00	840.00	840.00
	Average Loan	840.00	840.00	840.00	840.00
	Rate of Interest	7.39%	7.39%	7.39%	7.39%
	Interest	62.08	62.08	62.08	62.08
	Repayment Schedule	10 Annual instalments from 22.09.2009			
	Gross Loan opening	840.00	840.00	840.00	840.00
	Cumulative Repayment upto DOCO/previous year	0.00	0.00	0.00	0.00
	Net Loan-Opening	840.00	840.00	840.00	840.00
	Additions during the year	0.00	0.00	0.00	0.00

Repayment during the year	0.00	0.00	0.00	0.00
Net Loan-Closing	840.00	840.00	840.00	840.00
Average Loan	840.00	840.00	840.00	840.00
Rate of Interest	7.39%	7.39%	7.39%	7.39%
Interest	62.08	62.08	62.08	62.08

Annexure-II

LILO of both the circuits of Nellor-Sriperumbudur 400 kV D/C transmission line at Almathiu along with associated bays

CALCULATION OF WEIGHTED AVERAGE RATE OF INTEREST ON LOAN

(Rs. in Lacs)

	Details of Loan	2006-07	2007-08	2008-09
1	Bond XVII			
	Gross Loan opening	4910.00	4910.00	4910.00
	Cumulative Repayment upto DOCO/previous year	0.00	0.00	0.00
	Net Loan-Opening	4910.00	4910.00	4910.00
	Additions during the year	0.00	0.00	0.00
	Repayment during the year	0.00	0.00	0.00
	Net Loan-Closing	4910.00	4910.00	4910.00
	Average Loan	4910.00	4910.00	4910.00
	Rate of Interest	7.39%	7.39%	7.39%
	Interest	362.85	362.85	362.85
	Repayment Schedule	10 Annual instalments from 22.9.2009		
2	Bond XIX			
	Gross Loan opening	600.00	600.00	600.00
	Cumulative Repayment upto DOCO/previous year	0.00	0.00	0.00
	Net Loan-Opening	600.00	600.00	600.00
	Additions during the year	0.00	0.00	0.00
	Repayment during the year	0.00	0.00	0.00

Net Loan-Closing	600.00	600.00	600.00
Average Loan	600.00	600.00	600.00
Rate of Interest	8.85%	9.25%	9.25%
Interest	53.08	55.50	55.50
Repayment Schedule	12 Annual Installments from 24.7.2010		
Gross Loan opening	5510.00	5510.00	5510.00
Cumulative Repayment upto DOCO/previous year	0.00	0.00	0.00
Net Loan-Opening	5510.00	5510.00	5510.00
Additions during the year	0.00	0.00	0.00
Repayment during the year	0.00	0.00	0.00
Net Loan-Closing	5510.00	5510.00	5510.00
Average Loan	5510.00	5510.00	5510.00
Rate of Interest	7.55%	7.59%	7.59%
Interest	415.93	418.35	418.35