

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Coram:

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

Petition No. 85/2006

In the matter of

Determination of transmission tariff for transmission system associated with Kopili Hydroelectric Stage-I extension project (2x50 MW) in North Eastern Region for the period from 1.4.2004 to 31.3.2009.

And in the matter of

Power Grid Corporation of India Ltd., Gurgaon

.... Petitioner

Vs

1. Assam State Electricity Board, Guwahati
 2. Meghalaya State Electricity Board, Shillong
 3. Government of Arunachal Pradesh, Itanagar
 4. Power and Electricity Department, Govt. of Mizoram, Aizawl
 5. Electricity Department Govt. of Manipur, Imphal
 6. Department of Power, Govt. of Nagaland, Kohima
 7. Tripura State Electricity Corporation Limited., Agartala
- .Respondents**

The following were present:

1. Shri P.C.Pankaj, PGCIL
2. Shri U.K. Tyagi, PGCIL
3. Shri T.C.Sharma, PGCIL
4. Shri M.M.Mondal, PGCIL
5. Shri C.Kannan, PGCIL
6. Shri S.S.Raju, PGCIL
7. Shri Umesh Chandra, PGCIL
8. Shri Harmeet Singh, PGCIL
9. Shri B.P.Singh, PGCIL
10. Shri W.Rehman, PGCIL
11. Shri A.K.Das, PGCIL
12. Shri Utpal Sharma, PGCIL
13. Shri Mithilesh Kumar, PGCIL
14. Shri Anup Gan Choudhery, TSECL
15. Shri M.Debberma, TSECL
16. Shri L.Priyokumar, Electricity Deptt., Govt. of Manipur
17. Ms. Seema Sharma, Advocate, Consumer
18. Shri Hemanta Sharma, Consumer
19. Shri Rakesh, BSEB
20. Shri K.N. War, MeSEB
21. Shri S.S.Kharmih, MeSEB
22. Shri P.K.Hazarika, ASEB
23. Shri K.Goswami, ASEB
24. Shri H.C.Phukan, ASEB

ORDER
(DATE OF HEARING: 2.8.2007)

The petition has been filed for approval of tariff for transmission system associated with Kopili Hydroelectric Stage-I extension project (2 x 50 MW) (the transmission system) in North Eastern Region for the period from 1.4.2004 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. 63.80 lakh on works during 1999-2000 to 2003-04 and Rs. 29.03 lakh on account of FERV for the period ending 31.3.2004. The petitioner has also prayed for the reimbursement of expenditure from the beneficiaries incurred towards publishing notices in the newspapers and the petition filing fee.

2. The investment approval for the transmission system was accorded by Ministry of Power vide its letter dated 14.5.1993 at an estimated cost of Rs.2237 lakh, which included IDC of Rs.123 lakh. The transmission system was declared under commercial operation on 1.2.2000.

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

(Rs. in lakh)

	2004-05	2005-06	2006-07	2007-08	2008-09
Depreciation	55.28	55.28	55.28	55.28	55.28
Interest on Loan	99.51	93.79	87.48	80.53	72.86
Return on Equity	43.98	43.98	43.98	43.98	43.98
Advance against Depreciation	17.19	24.62	32.82	41.84	51.80
Interest on Working Capital	8.70	8.98	9.27	9.57	9.90
O & M Expenses	97.64	101.55	105.61	109.83	114.23
Total	322.30	328.18	334.42	341.03	348.03

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

(Rs. in lakh)

	2004-05	2005-06	2006-07	2007-08	2008-09
Maintenance Spares	23.02	24.40	25.87	27.42	29.06
O & M expenses	8.14	8.46	8.80	9.15	9.52
Receivables	53.72	54.70	55.74	56.84	58.01
Total	84.87	87.56	90.40	93.41	96.59
Rate of Interest	10.25%	10.25%	10.25%	10.25%	10.25%
Interest	8.70	8.98	9.27	9.57	9.90

5. The reply to the petition has been filed by Tripura State Electricity Corporation Limited and Assam State Electricity Board. Ms. Mallika Sharma Bazbaruah, the consumer has filed her response to the public notice published by the petitioner under section 64 of the Electricity Act, 2003.

6. In North-Eastern Region, Uniform Common Pooled Transmission Tariff (UCPTT) in terms of paise/kWh has been followed since 1991-92. The UCPTT rate was derived by adding annual transmission charges for all Central Sector transmission lines and sub-stations and for identified State-owned transmission lines, and dividing the sum by expected annual generation at all central generating stations in the region. The UCPTT rate was initially fixed at 12.7 paise/kWh. After going through a few revisions, it was fixed at 35 paise/kWh with effect from 1.4.1998, and had remained at this level since then even though a number of additional transmission assets have been commissioned by the petitioner after this date. The amount collected @ 35 paise per kWh was being distributed between the owners of the transmission assets forming the common pool *pro rata* to the capital cost of the assets of each utility. Because of the freeze on the UCPTT rate and delay in commissioning of new generating capacity in the region, the transmission charges paid to the petitioner over the years have fallen considerably short of the revenue requirement to service its large investment in the region. It is for the reason that under the UCPTT scheme, the petitioner's revenue depends on energy generated in the region (which is outside the

petitioner's control), and not on the petitioner's investment in the regional system. The respondents have been insisting on the shortfall between the revenue requirement and the UCPTT be made up through a 'relief package' from the Central Government, which has not materialized so far.

7. The UCPTT rate adopted and continued in the region did not conform to the Central Electricity Regulatory Commission (Terms & Conditions of Tariff) Regulations, 2001, applicable for the period from 1.4.2001 to 31.3.2004. However, in view of the special circumstances of the case, the Commission had provisionally approved continuation of the UCPTT scheme up to 31.3.2004. In its order dated 1.1.2002 in Petition No. 40/2000 filed by the petitioner for approval of transmission charges for the transmission system, the Commission had observed as follows:

"13. In the light of the foregoing, we direct that the respondents shall be liable to pay the transmission charges @ 35 paise/kWh of the power transmitted in the region. The tariff shall be applicable from 1.2.2000 to a period upto 31.3.2004 or till such time the power generation matching the transmission capacity is available, whichever is earlier....."

8. Energy availability from the central generating stations in the region has gradually gone up in the recent years. On the other hand, the annual transmission charges, had they been calculated following the principles laid down in the Commission's tariff regulations, would have been coming down with repayment of loans over the years. A stage has thus come where continuation of the UCPTT may no longer be beneficial to the States in the region. The UCPTT scheme has already continued much beyond the date contemplated by the Commission for its termination in the order dated 1.1.2002. We are, therefore, keen that the tariff for the transmission assets in the region be regulated under the 2004 regulations, without further delay. Since this change-over has to be effected from the beginning of a financial year, it has been decided that with effect

from 1.4.2007, the transmission charges for all the transmission assets in the region are to be determined under the 2004 regulations, as indicated by the Commission in its order dated 27.4.2007 while approving the provisional transmission charges for the petitioner's transmission assets in the region.

CAPITAL COST

9. 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. As regards the project commissioned prior to 1.4.2004, clause (2) of Regulation 52 of the 2004 regulations provides that in case of the existing projects, the project cost admitted by the Commission prior to that date, shall form the basis for determination of tariff.

10. The petitioner has considered the capital expenditure of Rs. 1898.23 lakh after accounting for additional capitalization of Rs. 63.80 lakh on works for the period from 1.2.2000 to 31.3.2004 and Rs. 29.03 lakh on account of FERV for the same period over the capital expenditure of Rs.1805.40 lakh as on the date of commercial operation.

11. As has been noted above, tariff for the transmission system during 2001-04 was not determined by the Commission under the terms and conditions specified by it and the UCPTT rate was allowed to continue. Therefore, the capital base for computation of tariff is to be traced from the date of commercial operation.

Additional capitalization -2001-04

12. In the present case, the petitioner has claimed an additional capitalization of Rs.63.80 lakh for the period 2001-04. The details submitted by the petitioner in support of its claim for additional capital expenditure are given hereunder:

Year	Amount (Rs. in lakh)	Head of expenditure
1999-2000	25.85	Balance payments
2000-01	35.82	(Balance payments) Transmission Line = Rs. 0.51 lakh Sub-station = Rs. 35.31 lakh
2001-02	5.38	(Balance payments) Transmission Line = Rs. 1.64 lakh Sub-station = Rs. 3.74 lakh
2002-03	(-) 3.25	Sub-station (Provisions reversed)

13. The expenditure claimed is found to be in order for additional capitalization. Accordingly, the additional expenditure of Rs. 63.80 lakh has been allowed to be capitalized.

Extra Rupee Liability during the years 2001-04:

14. Regulation 1.13 of the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2001 provided as under:

“(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. As already noted, the petitioner has claimed additional capitalization of Rs. 29.03 lakh on account of FERV for the period up to 31.3.2004, ASEB in its reply has requested the Commission to examine the admissibility of the amount of Rs. 29.03 lakh on account of FERV from date of commercial operation to 31.3.2004.

We find that the petitioner's claim in this regard is based on the provisions of the terms and conditions of tariff applicable during 2001-04 reproduced above. FERV worked out by the petitioner is matching with calculations submitted and is in accordance with provisions of AS-11, applicable for the period up to 31.3.2004. The petitioners claim on account of FERV has been admitted for tariff computation.

Time Over-run

16. The transmission system was scheduled to be commissioned by June 1996. However, this was declared under commercial operation on 1.2.2000. Thus, there is delay of about 3 years and 7 months in the commissioning. The petitioner has submitted the following reasons for the delay:

- (i) There was delay in giving effect to ADB loan by about 5 months after the placement of award. Consequently, initial mobilization advance towards supply and erection could be released belatedly.
- (ii) There was acute ROW problem which could be resolved with the help of District administration.
- (iii) Preliminary survey of the system was completed in 1991 and LOA for construction of transmission system was issued to the contractor in May 1996 for supply and erection. During the gap of five years, there were new developments of village area, new buildings within the original corridor and even the bay position was changed by NEEPCO at Kopili switchyard. As a result, 29.201 km route length had to be diverted and to achieve necessary ground clearance in some section of said line, type of tower and tower quantity had to be revised.

- (iv) There was delay in supply of conductor and other sub-station equipments due to disturbed law and order situation in the area and blockade of roads because of heavy floods.
- (v) As on 12.10.1998, all other works of sub-station except PLCC at Kopili - end were commissioned. PLCC at Kopili-end could not be completed due to non-completion of bay by NEEPCO. The PLCC link could be made through on 9.2.2000 after completion of bay by NEEPCO.

17. There is satisfactory explanation for the entire delay of 3 years and 7 months in completion of the transmission line. It needs to be pointed out that the petitioner does not gain anything by delaying the commissioning of its transmission assets. Therefore, the delay in commissioning of line is considered to be beyond the control of the petitioner.

COST VARIATION

18. The approved cost of the transmission system is Rs 2237 lakh whereas estimated completion cost is Rs 1898.23 lakh. There is cost reduction by Rs 338.77 lakh. The petitioner has submitted that the approved scope of work under the project involved extension of 220 kV Misa sub-station which *inter-alia* includes construction of bay for one number 400/220 kV Auto Transformer and installation of 3 x 105 MVA 400/220 KV Auto-Transformer. This portion of project scope was not implemented under Kopili Stage-I extension project. Due to non-implementation of 400 kV system, sub-station component of cost has reduced by about Rs. 545 lakh. Further, due to higher award price based on competitive bidding, the cost of transmission line components increased by Rs.186 lakh. As a result, there has been overall reduction in project cost by an amount of Rs.369 lakh.

TOTAL CAPITAL COST

19. Against the above background, gross block of Rs. 1898.23 lakh as on 1.4.2004 has been worked out for the purpose of tariff based on the gross block of Rs. 1805.40 lakh as on the date of commercial operation, after accounting for additional capitalisation of Rs. 63.80 lakh on works and Rs. 29.03 lakh on account of FERV.

DEBT- EQUITY RATIO

20. 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.”

21. The petitioner has considered debt-equity ratio of 87.74:12.26 as per financial package as on the date of commercial operation. The petitioner has further claimed tariff after accounting for the additional capital expenditure of Rs. 63.80 lakh on works and FERV of Rs. 29.03 lakh towards equity. We have

considered the debt-equity ratio of 87.74:12.26 on the date of commercial operation. The additional capitalisation of Rs. 63.80 lakh on works has been considered against equity so as to bring it closer to the approved debt-equity ratio of 50:50. However, in view of the judgment dated 4.10.2006 in Appeals No. 135 to 140 of 2005 of the Appellate Tribunal for Electricity, the entire amount of FERV has been considered against loan. Accordingly, for the purpose of tariff, an amount of Rs. 285.08 lakh has been considered as equity as on 1.4.2007

RETURN ON EQUITY

22. 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.

23. The petitioner has claimed return on equity of Rs. 314.11 lakh as on 1.4.2004 after accounting for equity of Rs. 92.83 lakh on account of additional capitalization on works and FERV for the period 1.2.2000 to 31.3.2004. For the reasons recorded in para 21 above equity of Rs. 285.08 lakh has been considered for the period 2007-09. Accordingly, the petitioner shall be entitled to return on equity of Rs. 39.91 lakh each year during the tariff period.

INTEREST ON LOAN

24. 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.”

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

(i) Gross loan opening has been considered from 2004-05.

(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 loan has been considered as notional loan. The weighted average rate of interest on loan for respective years as per above has been multiplied to arrive at interest on loan.

26. 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 as per the loan allocation details submitted by the petitioner have

been used to work out weighted average rate of interest on actual loan.

- (ii) Notional loan corresponding to additional capitalisation from date of commercial operation to 31.3.2004 and the FERV capitalised up to 31.3.2004 has been added to the loan amount as on the date of commercial operation to arrive at total notional loan as on 1.4.2004. This adjusted gross loan has been considered as normative loan for tariff calculation.
- (iii) For the purpose of calculating the interest on loan to be recovered in tariff, cumulative repayment up to the year 2003-04 as per the petition has been deducted from the notional gross loan to arrive at the net outstanding loan on 1.4.2004. Average outstanding loan has thereafter been computed considering notional loan repayment equal to the depreciation allowed.
- (iv) 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.
- (v) As the ADB-I loan has floating rate of interest, applicable rate of interest as on 1.4.2007 has been considered.

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

(Rs. in lakh)

Details of loan		2007-08	2008-09
Notional Gross Loan as on date of commercial operation	1584.12		
Addition due to Additional Capitalisation	0.00		
Addition due to FERV	29.03		
Gross Normative Loan as on 1.4.2004	1613.15	1613.15	1613.15
Cumulative Repayment up to 31.3.2004	234.54		
Normative repayment from 1.4.2004 to 31.3.2007	165.84		
Net Loan-Opening		1212.78	1157.50
Repayment during the year (Notional Repayment)		55.28	55.28
Net Loan-Closing		1157.50	1102.22
Average Loan		1185.14	1129.86
Weighted Average Rate of Interest on Loan		7.26%	7.26%
Interest		86.04	82.03

28. The detailed calculations in support of the weighted average rate of interest are contained in Annexure attached.

DEPRECIATION

29. 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.

30. The petitioner has claimed the depreciation on the capital cost of Rs. 1898.23 lakh. The petitioner has not indicated any cumulative depreciation recovery for the period up to 31.3.2004.

31. For the period 1.4.2007 to 31.3.2009 the depreciation works out to Rs. 55.28 lakh each year by applying rate of depreciation of 2.9121% as shown below:

(Rs. in lakh)

Details of Depreciation		2007-08	2008-09
As on date of commercial operation	1805.40		
Addition during 1999-00 to 2003-04 due to ACE	63.80		
Addition during 1999-00 to 2003-04 due to FERV	29.03		
Gross Block as on 1.4.2004	1898.23	1898.23	1898.23
Rate of Depreciation	2.9121%		
Depreciable Value		1708.41	1708.41
Balance Useful life of the asset		-	-
Remaining Depreciable Value		1246.95	1191.67
Depreciation		55.28	55.28

ADVANCE AGAINST DEPRECIATION

32. Advance Against Depreciation is permissible only if loan repayment in a year exceeds the depreciation, and the cumulative repayment up to a particular year exceeds the cumulative depreciation up to that year. Since notional loan repayment has been assumed to be equal to the depreciation recovered in tariff, no Advance Against Depreciation is admissible.

OPERATION & MAINTENANCE EXPENSES

33. 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

34. The petitioner in its affidavit dated 17.9.2007 has submitted that the transmission voltage in all the Regions except NER is 400 kV and 220 kV and very few lines are of 132 kV voltage level, and keeping this in view, while working out total number of bays and the unit O&M rates for NER, the outgoing line feeders of voltage level up to 132 kV only were considered. It may be mentioned that in NER generally the main transmission lines are of 132 kV level and outgoing feeders are of 33 kV level with 132/33 kV ICTs. Due to omission of 33 kV voltage level outgoing line bays, the total number of bays considered for calculation purpose were less. Further, inadvertently, a few of 132 kV voltage level outgoing feeders were also not considered in the calculations submitted in the petition. Accordingly, the petitioner has revised the statement for the total number of bays under operation in NER. The statement has been prepared considering the following bays which are in line with the methodology considered.

- (i) line bay up to voltage level of 132 kV;
- (ii) Outgoing line bays up to voltage level of 33 kV (distribution bays);
- (iii) Bus reactor line bays up to voltage level of 33 kV; and
- (iv) HV and LV bays with all the ICTs.

35. The petitioner has submitted a detailed statement of bays under operation as on 31.3.2005 in NER. The petitioner has prayed that for computation of O & M expenses, Form-2 filed with petition may be taken in to consideration and O & M expenses may be allowed accordingly.

36. Against the petitioner's claim based on per bay rates of Rs 39,84,930 and Rs. 41,44,330 for the years 2007-08 and 2008-09, per bay rates of Rs. 31,63,000 and Rs. 32,90,000 respectively have been applied for O & M expenses as per the 2004 regulations. Similarly, against the petitioner's claim based on per ckt. kilometre rate of Rs. 39,760 and Rs. 41,350 for the years 2007-08 and 2008-09, per kilometre rates of Rs. 25,500 and Rs. 26,600 respectively have been applied as laid down under the 2004 regulations.

37. The petitioner's entitlement to O & M expenses for 75.79 ckt km and 2 (two) bays has been worked out as given hereunder:

(Rs. in lakh)		
	2007-08	2008-09
O&M expenses for 75.79 ckt kms line length	19.33	20.16
O&M expenses for 2 bays	63.26	65.80
Total	82.59	85.96

38. 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

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, the capital expenditure on the date of commercial operation is Rs. 1805.40 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.27.42 lakh as on 1.4.2007.

(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 1.4.2004. SBI PLR as on 1.4.2004 (10.25%) has been considered for computation of interest.

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

(Rs. in lakh)		
	2007-08	2008-09
Maintenance Spares	27.42	29.06
O & M expenses	6.88	7.16
Receivables	45.33	45.25
Total	79.63	81.48
Rate of Interest	10.25%	10.25%
Interest	8.16	8.35

TRANSMISSION CHARGES

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

(Rs. in lakh)		
	2007-08	2008-09
Depreciation	55.28	55.28
Interest on Loan	86.04	82.03
Return on Equity	39.91	39.91
Advance against Depreciation	0.00	0.00
Interest on Working Capital	8.16	8.35
O & M Expenses	82.59	85.96
Total	271.98	271.53

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. 1,29,234/- 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 for which views of the stakeholder have been called for. The view taken on consideration of the comments received shall apply in the present case as regards reimbursement of filing fee.

44. The petitioner is already billing the respondents on provisional basis in accordance with the Commission's order dated 27.4.2007. The provisional billing of tariff shall be adjusted in the light of final tariff now approved by us.

45. This order disposes of Petition No. 85/2006.

Sd/-
(R.KRISHNAMOORTHY)
MEMBER

sd/-
(BHANU BHUSHAN)
MEMBER

New Delhi dated the 16th January 2008

CALCULATION OF WEIGHTED AVERAGE RATE OF INTEREST ON LOAN

(Rs. in lakh)

	Details of Loan	2004-05	2005-06	2006-07	2007-08	2008-09
1	ADB-I					
	Gross Loan- Opening	1584.12	1584.12	1584.12	1584.12	1584.12
	Cum Repayment up to DOCO/Previous year	234.53	307.00	386.90	474.99	572.11
	Net Loan-Opening	1361.26	1288.79	1208.89	1120.79	1023.68
	Repayment during the year	72.47	79.90	88.09	97.12	107.08
	Net Loan-Closing	1288.79	1208.89	1120.79	1023.68	916.60
	Average Loan	1325.02	1248.84	1164.84	1072.24	970.14
	Rate of Interest	7.51%	7.51%	7.51%	7.26%	7.26%
	Interest	99.51	93.79	87.48	77.84	70.43
	Rep Schedule	Half yearly instalments from 1.6.2000				
	Total Loan					
	Gross Loan- Opening	1584.12	1584.12	1584.12	1584.12	1584.12
	Cum Repayment up to DOCO/Previous year	234.53	307.00	386.90	474.99	572.11
	Net Loan-Opening	1361.26	1288.79	1208.89	1120.79	1023.68
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	Average Loan	1325.02	1248.84	1164.84	1072.24	970.14
	Rate of Interest	7.51%	7.51%	7.51%	7.26%	7.26%
	Interest	99.51	93.79	87.48	77.84	70.43