

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Coram:

- 1. Shri Ashok Basu, Chairperson**
- 2. Shri K.N.Sinha, Member**
- 3. Shri Bhanu Bhushan, Member**

Petition No. 130/2004

In the matter of

Approval of transmission charges for 400 kV Ramagundam Transmission System, including ICT at Khammam and Reactor at Gazuwaka under CTP Augmentation in Southern Region for the period from 1.4.2004 to 31.3.2009.

And in the matter of

Power Grid Corporation of India Limited

....**Petitioner**

Vs

1. Karnataka Power Transmission Corporation Ltd., Bangalore
2. Transmission Corporation of Andhra Pradesh Ltd., Hyderabad
3. Kerala State Electricity Board, Thiruvananthapuram
4. Tamil Nadu Electricity Board, Chennai
5. Electricity Department, Govt. of Pondicherry, Pondicherry
6. Electricity Department, Govt. of Goa, Panji

..... **Respondents**

The following were present:

1. Shri P.C. Pankaj, PGCIL
2. Shri U.K. Tyagi, PGCIL
3. Shri C. Kannan, PGCIL
4. Shri M.M. Mondal, CM (Fin), PGCIL
5. Shri Rakesh Prasad, PGCIL
6. Shri S. Sowmyanarayanan, TNEB
7. Shri R.Balachandran, KSEB
8. Shri N.Vijaya Bhaskar, KPTCL

ORDER

(DATE OF HEARING: 14.9.2005)

The petition has been filed for approval for transmission charges for 400 kV Ramagundam Transmission System, including ICT at Khammam and Reactor at Gazuwaka under CTP Augmentation (the transmission system) in Southern 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"). The petitioner had also prayed that it be permitted to

continue the billing of transmission charges on the same basis as charged on 31.3.2004, pending determination of tariff in the present petition. No other specific relief is prayed for.

2. The revised cost estimates for the transmission system were approved by the Central Government in Ministry of Power under letter dated 27.11.1990 at a total cost of Rs.1985.12 crore, including Rs. 1674.62 crore for Ramagundam Super Thermal Power Station and Rs. 310.50 crore for the associated transmission system. Further, the approval for additional assets under augmentation of Central Transmission Project in Southern Region was accorded by the Board of Directors of the petitioner company under its delegated powers vide Memorandum No. C/CP/SQ2-00 dated 12.5.1994 for Rs. 38.57 crore which, inter alia, included implementation of one No. 315 MVA, 400/220 kV Transformer at Khammam and one No. 50 MVAR Reactor at Gazuwaka. The apportioned approved cost of ICT at Khammam and Reactor at Gazuwaka was stated to be Rs. 20.12 crore. In this manner, the total approved cost of the transmission system is Rs. 330.62 crore.

3. The annual transmission charges for the period from 1.4.2001 to 31.3.2004 were decided by the Commission in its order dated 23.10.2003 in Petition No. 26/2002 at a gross block of Rs. 37955.29 lakh including additional capitalization of Rs. 2511.27 lakh on account of FERV for the period up to 31.3.2001.

4. The transmission assets included in the transmission system, the date of commercial operation and line length (for O&M purpose) of the respective transmission lines is as stated below:

S. No.	Name of the transmission line	Date of commercial	Actual line length in ckt
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		operation	km (for O & M)
(i)	400 kV S/C Ramagundam-Hyderabad transmission line-I	1.10.1984	187.29
(ii)	400 kV S/C Hyderabad-Nagarjuna Sagar transmission line	1.9.1985	155.26
(iii)	400 kV S/C Nagarjuna Sagar-Cuddappah-I transmission line	1.2.1986	277.33
(iv)	400 kV S/C Cuddappah- Bangalore transmission line	1.8.1986	241.65
(v)	400 kV S/C Cuddappah-Madras transmission line	6.6.1988	242.28
(vi)	400 kV D/C Ramagundam-Nagarjuna Sagar (Circuit I) (Circuit II)	21.6.1988 10.12.1988	267.20 267.20
(vii)	400 kV S/C Nagarjuna Sagar-Cuddappah-II transmission line	15.3.1989	278.66
(viii)	400 kV S/C Bangalore-Salem transmission line	23.11.1988	181.36
(ix)	400 kV S/C Nagarjuna Sagar-Raichur transmission line	1.8.1989	258.10
(x)	400 kV S/C Raichur-Munirabad transmission line	1.8.1989	172.45
(xi)	315 MVA 400/220 k V Transformer of Khammam	1.1.1997	-
(xii)	50 MVA Reactor at Gazuwaka	1.2.1997	-
	Total		2528.78

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

(Rs. in lakh)

	2004-05	2005-06	2006-07	2007-08	2008-09
Depreciation	1061.37	1061.37	1061.37	1061.37	1061.37
Interest on Loan	78.22	58.62	38.86	23.41	16.50
Return on Equity	1856.94	1856.94	1856.94	1856.94	1856.94
Advance against Depreciation	0.00	0.00	0.00	0.00	0.00
Interest on Working Capital	200.56	208.46	216.86	225.74	235.41
O & M Expenses	1277.03	1328.04	1382.58	1435.59	1495.16
Total	4474.12	4513.43	4556.61	4603.05	4665.37

6. 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	1104.57	1170.84	1241.09	1315.56	1394.49
O & M expenses	106.42	110.67	115.22	119.63	124.60
Receivables	745.69	752.24	759.43	767.17	777.56
Total	1956.67	2033.75	2115.74	2202.36	2296.65
Rate of Interest	10.25%	10.25%	10.25%	10.25%	10.25%
Interest	200.56	208.46	216.86	225.74	235.41

7. The replies to the petition have been filed by Karnataka Power Transmission Corporation Limited, Tamil Nadu Electricity Board and Kerala State Electricity Board. No comments or suggestion have been received from the general public in response to the notices published by the petitioner under section 64 of the Electricity Act, 2003.

CAPITAL COST

8. As per clause (2) of Regulation 52 of the 2004 regulations in case of the projects existing as on 31.3.2004, the project cost admitted by the Commission for determination of tariff prior to 1.4.2004 shall form the basis for determination of tariff.

9. The petitioner has claimed the capital expenditure of Rs.38531.81 lakh after accounting for additional capitalization of Rs. 576.52 lakh on account of FERV over the capital expenditure of Rs.37955.29 lakh admitted by the Commission in the order dated 23.10.2003 *ibid*.

Decapitalization

10. The petitioner has submitted the details of decapitalization of Rs. 361.60 lakh during the year 2002-03. The amount has been allowed to be decapitalized.

Extra Rupee Liability during the years 2001-04:

11. Regulation 1.13 (a) 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

12. Regulation 1.7 of the 2001 further provided that recovery of foreign exchange rate variation would be done directly by the utilities from the beneficiaries without filing a petition before the Commission. In case of any objections by the beneficiaries to the amounts claimed on these counts, they may file an appropriate petition before the Commission.

13. TNEB in its reply has objected to capitalization of FERV. We do not find the objection to be valid in view of our regulation as quoted above. FERV worked out by the petitioner for the period up to 31.3.2004 is Rs. 576.52 lakh. As per our calculation FERV for the period 2001-2004 is 576.51 lakh.

14. Based on the above, gross block of Rs. 37593.69 lakh (excluding decapitalization during 2002-03), as on 1.4.2004 has been considered for the purpose of tariff. After adjustment of additional capitalization of Rs.576.51 lakh on account of FERV, the gross block as on 1.4.2004 comes to Rs. 38170.20 lakh.

DEBT- EQUITY RATIO

15. Regulation 54 of the 2004 regulations *inter alia* provides that,-

(1) In case of the existing project, 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.

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

Provided that where deployment of equity is less than 30%, the actual equity deployed shall be considered for the purpose of determination of tariff.

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

(3) In case of the transmission system for which investment approval is accorded on or after 1.4.2004, debt-equity in the ratio of 70:30 shall be considered for the purpose of determination of tariff:

Provided that where deployment of equity is less than 30%, the actual equity deployed shall be considered for the purpose of determination of tariff.

(4) The debt and equity amount arrived at in accordance with above sub-clause (1), (2) or (3), as the case may be, shall be used for calculation of interest on loan, return on equity, advance against depreciation and foreign exchange rate variation.”

16. The petitioner has claimed tariff based on debt-equity of 50:50 as considered by the Central Government in the Net Fixed Asset as on 1.4.1997 and also considered by the Commission in its order dated 23.10.2003 *ibid*. Accordingly, Net Fixed Asset of Rs. 25951.15 lakh as on 1.4.1997 after adjusting cumulative depreciation of Rs. 12004.14 lakh up to 31.3.1997 has been considered. Additional capitalization and de-capitalization on account of FERV and works respectively have been divided into debt and equity in the ratio of 50: 50. Based on this, Rs. 13083.03 lakh has been

considered as the equity for the purpose of determination of tariff in the present petition.

RETURN ON EQUITY

17. 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.

18. The petitioner has claimed return on equity of Rs. 13263.83 lakh, after adjustment of an amount of Rs. 288.26 lakh as equity on account of FERV. However, as indicated in para 10 above, an amount of Rs. 361.60 lakh has been de-capitalized during 2002-03, 50% of which has been adjusted against equity . In this manner equity of Rs. 13083.03 lakh has been considered. Accordingly, the petitioner shall be entitled to return on equity @ Rs. 1831.62 lakh each year during the tariff period.

INTEREST ON LOAN

19. 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 as per regulation 54 minus cumulative repayment as admitted by the Commission for the period up to 31.3.2004. The repayment for the period 2004-09 shall be worked out accordingly on normative basis.

(c) The transmission licensee shall make every effort to swap the loan as long as it results in net benefit to the long-term transmission customers. The costs associated with such swapping shall be borne by the long-term transmission customers.

(d) The changes to the loan terms and conditions shall be reflected from the date of such swapping and benefits passed on to the beneficiaries.

(e) 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.

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

(i) Gross loans, cumulative loan repayment up to previous year as admitted by the Commission in the order dated 23.10.2003 *ibid* has been taken as the opening balance as on 1.4.2004

(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 as admitted by the Commission in the order dated 23.10.2003 *ibid* has been considered as notional loan and the weighted average rate of interest on loan for respective years as per above has been multiplied to arrive at interest on loan.

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

- (i) Details of net outstanding loan as on 31.3.2004, repayment schedule for the period 2004-09, rate of interest as on 1.4.2004, exchange rate as on 31.3.2004 etc. have been taken from the loan reconciliation statement for working out weighted average rate of interest.
- (ii) Gross loan and cumulative repayment up to 31.3.2004 has been taken from the order dated 23.10.2003.
- (iii) Notional loan arising out of FERV and additional capitalisation during the years 2001-04 has been considered.
- (iv) Tariff is worked out considering normative loan and normative repayments. Normative repayment is worked out by the following formula:

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

- (v) Moratorium in repayment of loan is 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 is considered as moratorium and depreciation during the year is deemed as normative repayment of loan during the year.
- (vi) Weighted average rate of interest on actual loan worked out as per (i) above is applied on the average loan during the year to arrive at the interest on loan.

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

(Rs. in lakh)						
Details of loan	Up to	2004-05	2005-06	2006-07	2007-08	2008-09

	31.3.2004					
Interest on Loan						
Gross loan as per order dated 23.10. 2003	12975.58					
Addition due to additional capitalisation	(180.80)					
Addition due to FERV	288.26					
Gross Normative Loan	13083.03	13083.03	13083.03	13083.03	13083.03	13083.03
Cumulative Repayment up to Previous Year		10733.07	11781.42	12829.77	13083.03	13083.03
Net Loan-Opening		2349.96	1301.61	253.26	0.00	0.00
Repayment during the year		1048.35	1048.35	253.26	0.00	0.00
Net Loan-Closing		1301.61	253.26	0.00	0.00	0.00
Average Loan		1825.79	777.44	126.63	0.00	0.00
Weighted Average Rate of Interest on Loan		3.4966%	3.6229%	3.9283%	4.7643%	5.8000%
Interest		63.84	28.17	4.97	0.00	0.00

DEPRECIATION

23. 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.

24. Land cost included in the capital cost of the asset is Rs. 295.69 lakh. Thus, the gross depreciable value of the transmission system, as per (ii) above, is 0.9 x (Rs. 38170.20 lakh- Rs.295.69 lakh)= Rs.34087.06 lakh as on 1.4.2004. Cumulative depreciation and AAD recovered in tariff up to 31.3.2004 is Rs.23017.98 lakh which includes adjustment of an amount of Rs. 299.22 lakh on account of decapitalisation of Rs. 361.60 lakh and an amount of Rs. 17.02 lakh recovered as depreciation on additional capitalisation due to FERV of Rs. 576.51 lakh, over depreciation of Rs. 23300.18 lakh considered in order dated 23.10.2003. Remaining depreciable value as on 1.4.2004 is thus Rs. 11069.07 lakh.

25. For the period 1.4.2004 to 31.3.2009 the depreciation works out as shown below:

		(Rs. in lakh)					
Details of Depreciation		Up to 31.3.2004	2004-05	2005-06	2006-07	2007-08	2008-09
As per order dated 23.10.2003		37955.29					
Addition during 2001-04 due to Additional Capitalisation		(361.60)					
Addition during 2001-04 due to FERV		576.51					
Gross Block as on 31.3.2004		38170.20	38170.20	38170.20	38170.20	38170.20	38170.20
Rate of Depreciation	2.7465%						
Depreciable Value	90%		34087.06	34087.06	34087.06	34087.06	34087.06
Balance Useful life of the asset	17		17	16	15	14	13
Remaining Depreciable Value			11069.07	10020.72	8972.37	7924.02	7358.02
Depreciation			1048.35	1048.35	1048.35	566.00	566.00

26. As the entire loan for the transmission system would be repaid during 2006-07, the depreciation for 2007-08 and 2008-09 have been worked out by spreading the balance depreciable value (Rs. 7924.02 lakh has on 1.4.2007 and Rs. 7358.02 lakh as on 1.4.2008) over the remaining useful life of the transmission system. The

weighted average life of the transmission system works out to 33 years against the actual life of 19 years as on 31.3.2006. Accordingly, balance useful life has been taken as 14 years as on 1.4.2007 [13 years as on 1.4.2008]. In this way depreciation works out to Rs. 566.00 lakh each year.

ADVANCE AGAINST DEPRECIATION

27. 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.

28. 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.

29. The petitioner has not claimed Advance Against Depreciation. The petitioner's entitlement to Advance Against Depreciation is, therefore, zero.

OPERATION & MAINTENANCE EXPENSES

30. 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
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31. The petitioner has claimed O & M expenses for 2528.78 ckt km of line length and 25 bays (3 at Hyderabad, 8 at Nagarjunasagar, 5 at Cuddappah, 3 at Bangalore, 1 at Madras, 1 at Salem, 2 at Munirabad, 1 at Khammam and 1 at Visakhapatnam sub-stations), which have been allowed. Accordingly, the petitioner's entitlement to O & M expenses has been worked out as given hereunder:

	(Rs. in lakh)				
	Year				
	2004-05	2005-06	2006-07	2007-08	2008-09
O&M expenses for 2528.78 ckt.km line length	574.03	596.79	622.08	644.84	672.66
O&M expenses for 25 bays	703.00	731.25	760.50	790.75	822.50
Total	1277.03	1328.04	1382.58	1435.59	1495.16

32. 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

33. 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 has not been made available by the petitioner. The earliest available capital expenditure of Rs. 340.44 crore as on 1.4.1992 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. The value of maintenance spares as on 1.4.2004 works out to Rs. 685.03 lakh.

(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 of 2 months' transmission charges. In the tariff being allowed, receivables have been worked out on the basis of 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, which is in accordance with the 2004 regulations and has been allowed.

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

(Rs. in lakh)

	2004-05	2005-06	2006-07	2007-08	2008-09
Maintenance Spares	685.03	726.13	769.70	815.88	864.84
O & M expenses	106.42	110.67	115.22	119.63	124.60
Receivables	729.46	732.84	739.00	666.23	677.27
Total	1520.91	1569.65	1623.91	1601.75	1666.70
Rate of Interest	10.25%	10.25%	10.25%	10.25%	10.25%
Interest	155.89	160.89	166.45	164.18	170.84

TRANSMISSION CHARGES

35. A summary sheet showing basic details of capital cost and other related aspects is annexed to this order. The transmission charges being allowed for the transmission system are summarised below.

(Rs. in lakh)

	2004-05	2005-06	2006-07	2007-08	2008-09
Depreciation	1048.35	1048.35	1048.35	566.00	566.00
Interest on Loan	63.84	28.17	4.97	0.00	0.00
Return on Equity	1831.62	1831.62	1831.62	1831.62	1831.62
Advance against Depreciation	0.00	0.00	0.00	0.00	0.00
Interest on Working Capital	155.89	160.89	166.45	164.18	170.84
O & M Expenses	1277.03	1328.04	1382.58	1435.59	1495.16
Total	4376.74	4397.07	4433.98	3997.40	4063.62

36. The petitioner has sought approval for the reimbursement of expenditure of Rs. 1,01,042/- 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. 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.

Impact of additional capitalization for the years 2001-04

37. NTPC had sought approval of revised fixed charges for additional capitalization for the period 1.4.2001 to 31.3.2004. The Commission vide its order dated 31 March 2005 in Petition No 139/2004 has decided that additional capital expenditure be added to the gross block as on 1.4.2001 to arrive at gross block as on 1.4.2004 for the purpose of fixation of tariff for the period 2004-05 to 2008-09. The Commission has further ordered that NTPC would be entitled to earn return on equity @ 16% on equity portion of additional capitalization approved and interest on loan at the rate as applicable during 2001-02 to 2003-04. The return on equity and interest on loan are payable on additional capitalization from 1st April of the financial year following the financial year to which additional capital expenditure relates. Impact of de-capitalization for the years 2001-04 in respect of the transmission system as shown below that is Rs. 28.93 lakh on account of ROE and Rs. 4.60 lakh as interest on loan, shall be recovered from the petitioner by the respondents along with tariff for the current period:

	2001-02	2002-03	2003-04	Total
Period	1.00	1.00	1.00	
Additional Capitalisation	0.00	(361.60)	0.00	(361.60)
Financing of Additional Capitalisation				
Notional Loan	0.00	(180.80)	0.00	(180.80)
Notional Equity	0.00	(180.80)	0.00	(180.80)
Total	0.00	(361.60)	0.00	(361.60)
Effective Additional Capitalisation				
Opening Loan Balance	0.00	0.00	(127.18)	
Addition of Loan	0.00	(180.80)	0.00	(180.80)
Repayment of Loan	0.00	(53.62)	(25.18)	(78.79)
Closing Loan Balance	0.00	(127.18)	(102.01)	
Effective Loan		0.00	(127.18)	
Weighted Average Rate of Interest on Loan	2.7413%	3.1322%	3.6143%	

Effective Equity			0.00	(180.80)	
Interest on Loan			0.00	(4.60)	(4.60)
Return on Equity	16%		0.00	(28.93)	(28.93)
Impact of Additional Capitalisation			0.00	(33.52)	(33.52)

38. 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. These transmission charges shall be included in the regional transmission tariff for Southern Region and shall be shared by the regional beneficiaries in accordance with the 2004 regulations.

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

40. This order disposes of Petition No.130/2004.

Sd-/
(BHANU BHUSHAN)
MEMBER

sd-/
(K.N.SINHA)
MEMBER

sd-/
(ASHOK BASU)
CHAIRPERSON

New Delhi dated the 2nd May 2006

Summary Sheet

Name of the Company:		PGCIL		
Name of the Element:		400 KV Ramagundam Transmission System including ICT Khammam & Reactor at Gazuwaka under CTP Augmentation in Southern Region.		
Actual DOCO:		1-10-1984 to 1-2-1997		
Petition No.:		130/2004		
Tariff setting Period:		2004-09		
				(Rs.in lakh)
1	Capital Cost of the Project			33062.00
2	Cumulative depreciation recovered as on 31. 3.1997			12004.14
3	Net Fixed Assets as on 1.4.1997			25951.15
4	Admitted Capital Cost as on 1. 4.2004 for Calculation of Debt and Equity¹			25951.15
5	Additional Capitalisation(works)			-361.60
	2001-02		0.00	
	2002-03		-361.60	
	2003-04		0.00	
	Total		-361.60	
6	Additional Capitalisation(FERV)			576.51
	2001-02		-66.48	
	2002-03		462.77	
	2003-04		180.23	
	Total		576.51	
7	Total Capital Cost as on 1. 4.2004(4+5+6)			26166.06
8	Means of Finance¹ :			
	Debt	50.00%	13083.03	
	Equity	50.00%	13083.03	
	Total	100.00%	26166.06	
9	Gross Loan as on 1. 4.2004			13083.03
10	Cumulative Repayment up to 31.3.2009 :			13083.03
	Repaid up to 31. 3.2004		10710.91	
	1. 4.2001 to 31. 3.2004 (ACE & FERV)		22.16	
	1. 4.2004 to 31. 3.2009		2349.96	
	Total		13083.03	
11	Balance Loan to be repaid beyond 31. 3.2009 :			0.00
12	Depreciation recovered up to 31. 3.2009 :			27295.04
		Dep	AAD	Total
	Recovered up to 31. 3.2004	23264.37	35.81	23300.18
	1. 4.2001 to 31. 3.2004 (ACE & FERV)	-282.20	0.00	-282.20
	1. 4.2004 to 31. 3.2009	4277.05	0.00	4277.05
	Total			27295.04
13	Balance Depreciation to be recovered beyond 31. 3.2009 :			6792.02
	Capital cost for the purpose of Depreciation			37955.29
	ACE + FERV			214.91
	Capital cost as 1. 4.2004			38170.20
	Less: Land Cost			295.69
				37874.51
	90% of Capital Cost as above			34087.06
	Cum. Depreciation to be recovered up to 31. 3.2009			27295.04
	Balance Depreciation to be recovered beyond 31. 3.2009			6792.02
¹ The tariff was set by GOI for the period up to 31. 3.2001 vide notification F no.2/3/POWERGRID/Tariff/98 dated 1.12.1998 and no. 2/3/Powergrid/Tariff/99-(3) dated 14.05.1999 on NFA on basis .The same was adopted by the Commission in petition 26/2002 pertaining to tariff period 2001-04.Accordingly,the Gross Block as on 1. 4.1997 considered was Rs.35444.02 lakh only .Cumulative depreciation recovered up to 31.03.1997 amounting to Rs.12004.14 lakh was deducted to arrive at NFA as on 31. 3.1997 amounting to Rs.23439.88lacs.Adding FERV up to 31. 3.2001 amounting to Rs.2511.27 lakh the capital cost considered in petition 26/2002 for the purpose of segregating in to debt and equity in 50:50 ratio was Rs.25951.15 lakh .Decapitalisation and FERV during 2001-04 amounting Rs.(-) 361.60 and Rs.576.51 lakh respectively has been added to arrive at capital cost as on 1.04.2004 which works out to Rs. 26166.06 lakh				