

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Petition No. 247/2009

Coram:

- 1. Dr. Pramod Deo, Chairperson**
- 2. Shri S.Jayaraman, Member**
- 3. Shri V.S.Verma, Member**

DATE OF HEARING: 22.12.2009

DATE OF ORDER: 13.5.2010

In the matter of

Determination of final transmission tariff and additional capital expenditure (i) 400 kV D/C Ranchi-Sipat transmission line with associated bays at Ranchi and Sipat sub-station and (ii) 40% FSC of 400 kV Ranchi-Sipat D/C transmission line at Ranchi sub-station under Kahalgaon Stage-II, Phase-II Transmission System in Western Region and Eastern Region for the period from date of commercial operation to 31.3.2009.

And in the matter of

Power Grid Corporation of India Limited, Gurgaon **..Petitioner**

Vs

1. Madhya Pradesh Power Transmission Company Ltd, Jabalpur
2. Maharashtra State Electricity Distribution Company Ltd., Mumbai
3. Gujarat Urja Vikas Nigam Ltd., Baroda
4. Electricity Deptt., Government of Goa, Panaji
5. Electricity Deptt., Administration of Daman & Diu, Daman
6. Electricity Deptt., Administration of Dadra Nagar Haveli, Silvassa
7. Chhattisgarh State Electricity Board, Raipur
8. Madhya Pradesh Audyogik Kandra Vikas Nigam (Indore) Ltd, Indore

.....Respondents

The following were present:

1. Shri U.K.Tyagi, PGCIL
2. Shri M.M.Mondal, PGCIL
3. Shri Rakesh Prasad, PGCIL
4. Shri S.K.Niranjan, PGCIL

ORDER

This petition has been filed for approval of transmission charges for (i) 400 kV D/C Ranchi-Sipat transmission line with associated bays at Ranchi and Sipat sub-station (Asset-I), and (ii) 40% FSC of 400 kV Ranchi-Sipat D/C

transmission line at Ranchi sub-station (Asset-II) under Kahalgaon Stage-II, Phase-II Transmission System (the transmission system) in Western Region and Eastern Region from the date of commercial operation 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 capital expenditure from the date of commercial operation to 31.3.2009. The petitioner has also prayed for reimbursement, from the beneficiaries of the expenditure incurred towards publishing of notices in newspapers, petition filing fee and licence fee.

2. The investment approval for the transmission system was accorded by Government of India vide its letter No. 12/21/2003-PG, dated 24.1.2005 at an estimated cost of Rs.46402 lakh, including IDC of Rs.2898 lakh (based on 2nd quarter, 2004 price level). Subsequently, revised cost estimate was approved by Board of Directors of the petitioner company vide Memorandum No. C/CP/RCE/Khalgaon-II Phase-II dated 16.2.2009 for an estimated cost of Rs. 57284 lakh including IDC of Rs. 5770 lakh (based on 3rd quarter, 2008 price level).

3. The provisional transmission charges for the respective transmission asset were approved by the Commission vide order dated 23.6.2009 in Petition No. 102/2009.

4. The date of commercial operation of the transmission assets, their apportioned approved cost and estimated completion cost, etc. are as under:

(Rs in lakh)

| S. No. | Name of Asset | Date of commercial operation | Apportioned approved cost | Expenditure up to the date of commercial operation | Expenditure from the date of commercial operation to 31.3.2009 | Balance Estimated Expenditure | Estimated completion cost |
|--------|---------------|------------------------------|---------------------------|--|--|-------------------------------|---------------------------|
| 1. | Asset-I | 1.1.2009 | 53485.98 | 48811.08 | 775.32 | 2172.83 | 51759.23 |
| 2. | Asset-II | 1.3.2009 | 3797.98 | 3307.81 | 4.5 | 791.98 | 4104.29 |

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

(Rs. in lakh)

| | Asset- I | Asset-II |
|------------------------------|-----------------------|-----------------------|
| | 2008-09 (Pro rata) | 2008-09 (Pro rata) |
| Depreciation | 329.86 | 9.93 |
| Interest on Loan | 798.50 | 17.02 |
| Return on Equity | 516.60 | 13.03 |
| Advance against Depreciation | 0.00 | 0.00 |
| Interest on Working Capital | 52.26 | 1.35 |
| O & M Expenses | 86.87 | 5.48 |
| Total | 1784.09 | 46.81 |

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 |
|--------------------|-----------------------|-----------------------|
| | 2008-09 (Pro rata) | 2008-09 (Pro rata) |
| Maintenance Spares | 488.11 | 33.08 |
| O & M expenses | 28.96 | 5.48 |
| Receivables | 1189.39 | 93.62 |
| Total | 1706.46 | 132.18 |
| Rate of Interest | 12.25% | 12.25% |
| Interest | 52.26 | 1.35 |

7. Maharashtra State Electricity Distribution Company Limited (MSEDCL) and Madhya Pradesh Power Trading Company Ltd.(MPPTCL) have filed reply. 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. MSEDCL in its reply has submitted that the

reason for delay given by the petitioner is not justifiable. MSEDCL has also requested that expenditure towards IDC be restricted up to scheduled date of commercial operation and IEDC expenditure be not considered. MSEDCL has further raised the issue of revision of O & M expenses due to wage revision. The petitioner in its rejoinder has submitted that main reason for delay of the transmission system was due to delay in obtaining forest clearance for the Ranchi-Pillkhi section from the forest authorities which was beyond the control of the petitioner. In respect of restriction on expenditure towards IDC, the petitioner has submitted that there is no specific norms for the IDC in the 2004 regulations and IDC is part of the capital which is covered under 2004 regulations. The issue of revision of O & M expenses has been dealt with by us in relevant paragraph.

8. MPPTCL, in its reply has requested to disallow the excess expenditure attributed to the delay in the project components and disallow the IDC beyond the estimated IDC. The issues raised by MPPTCL in its reply has been dealt with by us in this order under the respective heads. The concern expressed by MPPTCL and MSEDCL regarding reimbursement of filing fee and licence fee have also also taken care of in this order .

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 of 1.5% of original project cost. The regulation is applicable for the transmission systems declared under commercial operation on or after 1.4.2004.

10. The petitioner has claimed tariff after accounting for additional capital expenditure in respect of Asset-I and Asset-II from the date of commercial operation up to 31.3.2009 as given in the table below para 4 above.

ADDITIONAL CAPITALIZATION 2008-09

11. 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.”

12. The details submitted by the petitioner in support of its claim for additional capital expenditure for Asset-I and Asset-II are given hereunder:

| Asset-I | | | Asset-II | | |
|---------|--|---|----------|------------------------------|---|
| Year | Amount (Rs. in lakh) | Nature and details of expenditure | Year | Amount (Rs. in lakh) | Nature and details of expenditure |
| 2008-09 | Transmission line and Sub-Station: Rs. 775.32 lakh | Balance and retention payments | 2008-09 | Sub-Station: Rs 4.50 lakh | Balance and retention payments |
| Total | Rs. 775.32 lakh | | Total | Rs.4.50 lakh | |

13. 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, capitalization of the additional expenditure claimed by the petitioner has been allowed for the transmission Asset-I and Asset-II, respectively.

Initial spares

14. Clause (1) of the Regulation 52 of the 2004 regulations *inter alia* provides that,-

“ (1) Subject to prudence check by the Commission, 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 capitalized initial spares subject to a ceiling norm as 1.5% of original project cost”.

15. The details of actual expenditure incurred and spares included therein by the petitioner as per original scope of project up to 31.3.2009 are as under:-

| | Particulars | Capital Expenditures (Rs in lakh) | | | | Remarks |
|---|-------------|---|---|----------|--|--|
| | | Up to the date of the commercial operation | From the date of commercial operation to 31.3.2009 | Total | Initial Spares included therein | |
| 1 | Asset-I | 48811.08 | 775.32 | 49586.40 | 129.24 | Included in this tariff Petition |
| 2 | Asset-II | 3307.81 | 4.50 | 3312.31 | 276.78 | |
| | TOTAL | 52118.89 | 779.82 | 51898.71 | 406.02 | |

16. Total actual expenditure incurred by the petitioner, for Asset-I and Asset-II up to 31.3.2008 is Rs. 51898.71 lakh and cost of spares included therein is Rs. 406.02 lakh. The total cost without initial spares is Rs. 51492.69 lakh and cost of spares included therein is Rs. 406.02 lakh which is within the ceiling of 1.5% as per the 2004 regulations. The cut of date is 31.3.2010.

Time over-run

17. As per the investment approval, the transmission assets were scheduled to be commissioned by October 2007. However, transmission Asset-I and Asset-II were declared under commercial operation on 1.1.2009 and 1.3.2009, respectively. Therefore, there is a time delay of about 16 and 18 months in the commissioning of the transmission assets. The petitioner has submitted that the delay was due to forest clearance for Sipat-Pilki section of 400 kV Ranchi-Sipat transmission line. The representative of the petitioner has submitted that Hon`ble Supreme Court had stayed the proceedings of Forest Advisory Committee and forest clearance process. The representative of the petitioner further submitted that the petitioner had also filed appeal before the Supreme Court for vacation of stay. It was submitted by the representative of the petitioner that subsequently, Ministry of Environment and Forest granted clearance to the stage-I in November 2007 after being permitted by Hon`ble Supreme Court and thereafter forest clearance was granted in May 2008 for Stage-II.

18. During the hearing, the petitioner was directed to submit the details of construction schedule identifying the critical path there from and delay attributable to forest clearance along with the justification for the actual delay in the commissioning of the assets.

19. The petitioner vide its affidavit dated 18.3.2010 and 12.4.2010 has submitted above information with justification. The petitioner has submitted that the project was scheduled to be commissioned in 33 months from investment approval (by October 2007). This was with the assumption that the environment clearances would be achieved within 6 months from the submission of the forest case. However, due to certain reasons (Hon'ble supreme court stayed the proceedings of FAC and forest clearance process in October 2006) beyond the control of it, the forest approval could be obtained in 29 months (May 2008) which is 23 months more than the planned time schedule of 6 months in the FR.

20. The petitioner further submitted that it took only 8 months to complete this line after the Stage- II clearance and it was within the stringent follow-up and good project management practices using large resource of man power and T&P that the work in the forest stretches involving about 73 km. of line length and 55 locations could be completed.

21. Consequent to the long time taken for environmental clearance, the petitioner has submitted that all the project activities be they foundation, tower erection or stringing, became critical. The forest stretches could not have been taken up before obtaining the final environment clearance. This affected the completion schedule of the line as no float was left for all these activities, which were completed in 8 month's time. Thus, there was an actual overall time over-run of 16 months only. This is also owing to readiness of line on Non-forest affected areas on either sides of the critical forest section "sipat-Pilkhi".

22. The petitioner has also submitted that after the investment approval in January 2005, the execution of project was taken up through the award

process by calling tenders and evaluation of the bids. The forest proposal was prepared for the most optimum route alignment which has the least forest and avoids localities and habitats areas. For this purpose, an extensive survey was carried out by walkover survey, alignment surveys, for identification of at least three alternative routes, so as to have minimum forest involvements and suitability of the line route from maintenance point of view also. During the details survey of the area, it was noticed that a large number of land pocket has been identified for coal mining. So the route alignment required revisions many time. This exercise involved about more than six to seven months. The petitioner has further stated that a proposal was prepared for forest clearance by identifying the forest area involved along the most optimum route and a formal registration of forest proposal was issued by the forest department. Considering all the above activities, the forest proposal was completed and submitted on 22.11.2005 to the various forest divisions of the State of Chhattisgrh. Therefore, reason given by the petitioner for delay is found to be justified. Hence delay is condoned.

Cost over-run

23. There is increase as per the revised cost estimate from the investment approval. The contracts for various packages under the scheme were awarded to the lowest evaluated and responsive bidder, on the basis of the competitive bidding after publication of the NITs in leading news paper. This awarded price represents the lowest prices available at the time of bidding of various packages. The price variation during execution of the project is attributable to the inflationary trend prevailing during execution of the

scheme and also market forces prevailing at the time of bidding process of various packages for execution of the scheme. Due to these reasons, the estimated cost as per revised cost estimate has increased.

TOTAL CAPITAL COST

24. Based on the above, gross block as given below has been considered for the purpose of tariff for the transmission assets, after allowing additional capitalization on works as claimed by the petitioner, which is within the limits of apportioned approved cost:

| (Rs. in lakh) | | | |
|-------------------|--|--|--|
| Name of the asset | Admitted capital cost as on the date of commercial operation | Additional capital expenditure up to 31.3.2009 | Total Capital expenditure as on 1.4.2009 |
| Asset-I | 48811.08 | 775.32 | 49586.40 |
| Asset-II | 3307.81 | 4.5 | 3312.31 |

DEBT- EQUITY RATIO

25. 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 consider 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.”

26. Note 1 below Regulation 53 of the 2004 regulations lays down that any expenditure on account of committed liabilities within the original scope of work is to be serviced in the normative debt-equity ratio specified in Regulation 54.

27. The petitioner has considered debt-equity ratio of 70:30 for both the assets, as per details of funds actually deployed on the date of commercial operation. The petitioner has further considered the amount of additional capital expenditure in the debt-equity ratio of 70:30 for both Asset-I and Asset-II. The additional capital expenditure approved in the ratio of 70:30 has been considered in accordance with the 2004 regulations. Accordingly, for the purpose of tariff, equity considered for the transmission assets is as under:

(Rs. in lakh)

| Assets | Equity on the date of commercial operation | Notional equity due to additional capital expenditure for the period 2008-09 | Average equity for 2008-09 | Equity considered as on 1.4.2009 |
|----------|--|--|----------------------------|----------------------------------|
| Asset-I | 14643.32 | 232.60 | 14759.62 | 14875.92 |
| Asset-II | 992.34 | 1.35 | 993.02 | 993.69 |

RETURN ON EQUITY

28. 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.

29. Equity has been considered as on the date of commercial operation as given in the table in para 27 above. However, tariff for the period from date of commercial operation to 31.3.2009 has been allowed on average equity. Accordingly, the petitioner shall be entitled to return on equity of Rs. 516.59 lakh and Rs. 11.59 lakh on pro rata basis for Asset-I and Asset-II respectively.

INTEREST ON LOAN

30. 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."

31. 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 and weighted average rate of interest on actual loan has been considered as per the petition.

(ii) Notional loan arising out of additional capital expenditure for the year 2008-09 has been added in loan amount as on the date of commercial operation to arrive at total Notional loan. This adjusted Gross loan is considered as normative loan for tariff calculations.

(iii) Tariff has been worked out considering normative loan and normative repayment. Normative repayments are worked out by the following formula:

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

(iv) Moratorium in repayment of loan has been considered with reference to normative loan and if the normative repayment of loan during the year is less than the depreciation including Advance Against

Depreciation during the year, then depreciation including Advance Against 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 notional average loan during the year to arrive at the interest on loan.

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

| (Rs. in lakh) | | |
|---|-----------------------|-----------------------|
| | Asset-I | Asset-II |
| | 2008-09 (Pro rata) | 2008-09 (Pro rata) |
| Gross Normative Loan | 34167.76 | 2315.47 |
| Cumulative Repayment up to Previous Year/date of commercial operation | 0.00 | 0.00 |
| Net Loan-Opening | 34167.76 | 2315.47 |
| Addition due to Additional Capitalisation | 542.72 | 3.15 |
| Repayment during the year | 329.86 | 9.93 |
| Net Loan-Closing | 34380.62 | 2308.69 |
| Average Loan | 34274.19 | 2312.08 |
| Weighted Average Rate of Interest on Loan | 9.32% | 9.34% |
| Interest | 798.51 | 17.99 |

33. The detailed calculations in support of the weighted average rate of interest in respect of Asset-I and Asset-II are contained in Annexure-I and Annexure-II, respectively attached to this order.

DEPRECIATION

34. 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."

35. Based on the above, depreciation allowed has been worked out as below:

| (Rs. in lakh) | | |
|--|-----------------------|-----------------------|
| | Asset-I | Asset-II |
| | 2008-09 (Pro rata) | 2008-09 (Pro rata) |
| Gross block as on the date of commercial operation | 48811.08 | 3307.81 |
| Addition due to Additional Capitalisation | 775.32 | 4.50 |
| Gross Block at the end of the year | 49586.40 | 3312.31 |
| Rate of Depreciation | 2.6818% | 3.6000% |
| Depreciable Value | 44278.87 | 2979.05 |
| Balance Useful life of the asset | - | - |
| Remaining Depreciable Value | 44278.87 | 2979.05 |
| Depreciation | 329.86 | 9.93 |

ADVANCE AGAINST DEPRECIATION

36. 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

37. 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.

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

OPERATION & MAINTENANCE EXPENSES

39. 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 |

40. The petitioner has claimed O & M expenses for 811.544 ckt km and four bays for Asset-I two bays for 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 | |
|---------------------------------|--------------------|-------------------------|--------------------|
| | 2008-09 (Pro rata) | | 2008-09 (Pro rata) |
| O&M expenses for 811.544 ckt km | 53.97 | | |
| O&M expenses for 4 bays | 32.90 | O&M expenses for 2 bays | 5.48 |
| Total | 86.87 | Total | 5.48 |

41. 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 actual based on the auditor's certificate for such extra employee cost. We are not expressing any view, as this issue does not arise for consideration at this stage. The petitioner may approach for relief in this regard at an appropriate stage in accordance with law.

INTEREST ON WORKING CAPITAL

42. 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, Asset wise capital expenditure on the date of commercial operation has been considered as the historical cost 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. 488.11 lakh and Rs. 33.08 lakh for Asset-I and Asset-II, respectively. The necessary details are given hereunder:

| Transmission assets | Date of commercial operation | Capital Expenditure on the date of commercial operation (Rs. in lakh) | Cost of maintenance spares as on the date of commercial operation (Rs. in lakh) |
|---------------------|------------------------------|---|---|
| Asset- I | 1.1.2009 | 48811.08 | 488.11 |
| Asset-II | 1.3.2009 | 3307.81 | 33.08 |

(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 claimed in the petition. 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 @ 12.25% based on SBI PLR as on 1.4.2008,

which is in accordance with the 2004 regulations and has been allowed.

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

(Rs. in lakh)

| | Asset- I | Asset-II |
|--------------------|-----------------------|-----------------------|
| | 2008-09 (Pro rata) | 2008-09 (Pro rata) |
| Maintenance Spares | 488.11 | 33.08 |
| O & M expenses | 28.96 | 5.48 |
| Receivables | 1189.39 | 92.64 |
| Total | 1706.46 | 131.20 |
| Rate of Interest | 12.25% | 12.25% |
| Interest | 52.26 | 1.34 |

TRANSMISSION CHARGES

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

(Rs. in lakh)

| | Asset-I | Asset-II |
|------------------------------|-----------------------|-----------------------|
| | 2008-09 (Pro rata) | 2008-09 (Pro rata) |
| Depreciation | 329.86 | 9.93 |
| Interest on Loan | 798.51 | 17.99 |
| Return on Equity | 516.59 | 11.59 |
| Advance against Depreciation | 0.00 | 0.00 |
| Interest on Working Capital | 52.26 | 1.34 |
| O & M Expenses | 86.87 | 5.48 |
| Total | 1784.08 | 46.32 |

45. 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.

46. The petitioner has sought approval for the reimbursement of expenditure of Rs. 1,80,843/- 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.

47. The reimbursement of filing fee is not being allowed in terms of the Commission's order dated 11.9.2008 in Petition No. 129/2005. Decision in regard in licence fee will be communicated separately.

48. Transmission charges shall be shared by all the Western Region beneficiaries as per the provisions of the 2004 regulations.

49. This order disposes of Petition No. 247/2009.

Sd/-
(V.S.VERMA)
MEMBER

sd/-
(S.JAYARAMAN)
MEMBER

sd/-
(Dr. PRAMOD DEO)
CHAIRPERSON

| CALCULATION OF WEIGHTED AVERAGE RATE OF INTEREST ON LOAN | | |
|--|--|---------------------------------------|
| | | (Rs. in lakh) |
| | Details of Loan | 2008-09 |
| 1 | Bond-XVIII | |
| | Gross Loan opening | 100.00 |
| | Cumulative Repayment up to the date of commercial operation /previous year | 0.00 |
| | Net Loan-Opening | 100.00 |
| | Additions during the year | 0.00 |
| | Repayment during the year | 0.00 |
| | Net Loan-Closing | 100.00 |
| | Average Loan | 100.00 |
| | Rate of Interest | 8.15% |
| | Interest | 8.15 |
| | Repayment Schedule | 12 Annual instalments from 9.3.2010 |
| 2 | Bond-XIX | |
| | Gross Loan opening | 8704.00 |
| | Cumulative Repayment up to the date of commercial operation/previous year | 0.00 |
| | Net Loan-Opening | 8704.00 |
| | Additions during the year | 0.00 |
| | Repayment during the year | 0.00 |
| | Net Loan-Closing | 8704.00 |
| | Average Loan | 8704.00 |
| | Rate of Interest | 9.25% |
| | Interest | 805.12 |
| | Repayment Schedule | 12 Annual instalments from 24.7.2010 |
| 3 | Bond-XXI | |
| | Gross Loan opening | 2852.00 |
| | Cumulative Repayment up to the date of commercial operation /previous year | 0.00 |
| | Net Loan-Opening | 2852.00 |
| | Additions during the year | 0.00 |
| | Repayment during the year | 0.00 |
| | Net Loan-Closing | 2852.00 |
| | Average Loan | 2852.00 |
| | Rate of Interest | 8.73% |
| | Interest | 248.98 |
| | Repayment Schedule | 12 Annual instalments from 11.10.2010 |
| 4 | Bond-XXII | |
| | Gross Loan opening | 3841.00 |
| | Cumulative Repayment up to the date of commercial operation /previous year | 0.00 |
| | Net Loan-Opening | 3841.00 |

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|----------|--|---------------------------------------|
| | Additions during the year | 0.00 |
| | Repayment during the year | 0.00 |
| | Net Loan-Closing | 3841.00 |
| | Average Loan | 3841.00 |
| | Rate of Interest | 8.68% |
| | Interest | 333.40 |
| | Repayment Schedule | 12 Annual instalments from 7.12.2010 |
| 5 | Bond-XXIV | |
| | Gross Loan opening | 5504.00 |
| | Cumulative Repayment up to the date of commercial operation /previous year | 0.00 |
| | Net Loan-Opening | 5504.00 |
| | Additions during the year | 0.00 |
| | Repayment during the year | 0.00 |
| | Net Loan-Closing | 5504.00 |
| | Average Loan | 5504.00 |
| | Rate of Interest | 9.95% |
| | Interest | 547.65 |
| | Repayment Schedule | 12 Annual instalments from 26.3.2011 |
| 6 | Bond-XXVII | |
| | Gross Loan opening | 8831.00 |
| | Cumulative Repayment up to the date of commercial operation /previous year | 0.00 |
| | Net Loan-Opening | 8831.00 |
| | Additions during the year | 0.00 |
| | Repayment during the year | 0.00 |
| | Net Loan-Closing | 8831.00 |
| | Average Loan | 8831.00 |
| | Rate of Interest | 9.47% |
| | Interest | 836.30 |
| | Repayment Schedule | 12 Annual instalments from 31.3.2012 |
| 7 | Bond-XXVIII | |
| | Gross Loan opening | 4335.46 |
| | Cumulative Repayment up to the date of commercial operation /previous year | 0.00 |
| | Net Loan-Opening | 4335.46 |
| | Additions during the year | 0.00 |
| | Repayment during the year | 0.00 |
| | Net Loan-Closing | 4335.46 |
| | Average Loan | 4335.46 |
| | Rate of Interest | 9.33% |
| | Interest | 404.50 |
| | Repayment Schedule | 12 Annual instalments from 15.12.2012 |
| | Total Loan | |
| | Gross Loan opening | 34167.46 |
| | Cumulative Repayment up to the date of commercial operation | 0.00 |

| | | |
|--|---------------------------|----------|
| | Net Loan-Opening | 34167.46 |
| | Additions during the year | 0.00 |
| | Repayment during the year | 0.00 |
| | Net Loan-Closing | 34167.46 |
| | Average Loan | 34167.46 |
| | Rate of Interest | 9.32% |
| | Interest | 3184.09 |

Asset-II

| | | (Rs. in lakh) |
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| | Details of Loan | 2008-09 |
| 1 | Bond-XVIII | |
| | Gross Loan opening | 26.00 |
| | Cumulative Repayment up to the date of commercial operation /previous year | 0.00 |
| | Net Loan-Opening | 26.00 |
| | Additions during the year | 0.00 |
| | Repayment during the year | 0.00 |
| | Net Loan-Closing | 26.00 |
| | Average Loan | 26.00 |
| | Rate of Interest | 8.15% |
| | Interest | 2.12 |
| | Repayment Schedule | 12 Annual instalments from 9.3.2010 |
| 2 | Bond-XIX | |
| | Gross Loan opening | 556.00 |
| | Cumulative Repayment up to the date of commercial operation /previous year | 0.00 |
| | Net Loan-Opening | 556.00 |
| | Additions during the year | 0.00 |
| | Repayment during the year | 0.00 |
| | Net Loan-Closing | 556.00 |
| | Average Loan | 556.00 |
| | Rate of Interest | 9.25% |
| | Interest | 51.43 |
| | Repayment Schedule | 12 Annual instalments from 24.7.2010 |
| 3 | Bond-XXI | |
| | Gross Loan opening | 158.00 |
| | Cumulative Repayment up to the date of commercial operation /previous year | 0.00 |
| | Net Loan-Opening | 158.00 |
| | Additions during the year | 0.00 |
| | Repayment during the year | 0.00 |
| | Net Loan-Closing | 158.00 |
| | Average Loan | 158.00 |
| | Rate of Interest | 8.73% |
| | Interest | 13.79 |
| | Repayment Schedule | 12 Annual instalments from 11.10.2010 |
| 4 | Bond-XXII | |
| | Gross Loan opening | 232.00 |

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|----------|--|---------------------------------------|
| | Cumulative Repayment up to the date of commercial operation /previous year | 0.00 |
| | Net Loan-Opening | 232.00 |
| | Additions during the year | 0.00 |
| | Repayment during the year | 0.00 |
| | Net Loan-Closing | 232.00 |
| | Average Loan | 232.00 |
| | Rate of Interest | 8.68% |
| | Interest | 20.14 |
| | Repayment Schedule | 12 Annual instalments from 7.12.2010 |
| 5 | Bond-XXIV | |
| | Gross Loan opening | 363.00 |
| | Cumulative Repayment up to the date of commercial operation /previous year | 0.00 |
| | Net Loan-Opening | 363.00 |
| | Additions during the year | 0.00 |
| | Repayment during the year | 0.00 |
| | Net Loan-Closing | 363.00 |
| | Average Loan | 363.00 |
| | Rate of Interest | 9.95% |
| | Interest | 36.12 |
| | Repayment Schedule | 12 Annual instalments from 26.3.2011 |
| 6 | Bond-XXVII | |
| | Gross Loan opening | 769.00 |
| | Cumulative Repayment up to the date of commercial operation /previous year | 0.00 |
| | Net Loan-Opening | 769.00 |
| | Additions during the year | 0.00 |
| | Repayment during the year | 0.00 |
| | Net Loan-Closing | 769.00 |
| | Average Loan | 769.00 |
| | Rate of Interest | 9.47% |
| | Interest | 72.82 |
| | Repayment Schedule | 12 Annual instalments from 31.3.2012 |
| 7 | Bond-XXVIII | |
| | Gross Loan opening | 87.54 |
| | Cumulative Repayment up to the date of commercial operation /previous year | 0.00 |
| | Net Loan-Opening | 87.54 |
| | Additions during the year | 0.00 |
| | Repayment during the year | 0.00 |
| | Net Loan-Closing | 87.54 |
| | Average Loan | 87.54 |
| | Rate of Interest | 9.33% |
| | Interest | 8.17 |
| | Repayment Schedule | 12 Annual instalments from 15.12.2012 |
| | Total Loan | |

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|--|---|---------|
| | Gross Loan opening | 2191.54 |
| | Cumulative Repayment up to the date of commercial operation | 0.00 |
| | Net Loan-Opening | 2191.54 |
| | Additions during the year | 0.00 |
| | Repayment during the year | 0.00 |
| | Net Loan-Closing | 2191.54 |
| | Average Loan | 2191.54 |
| | Rate of Interest | 9.34% |
| | Interest | 204.59 |