

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Petition No.132/2010

Coram:

1. Dr. Pramod Deo, Chairperson
2. Shri V.S.Verma, Member
3. Shri M.Deena Dayalan, Member

DATE OF HEARING: 13.7.2010

DATE OF ORDER: 11.10.2010

In the matter of

Approval of transmission tariff for (a) 220 kV D/C Kayamkulam-Edamon transmission line; and (b) 220 kV D/C Kayamkulam-Pallon transmission line with associated bays under Kayamkulam Transmission System in Southern Region for the period from 1.4.2009 to 31.3.2014.

And

In the matter of

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

Vs

1. Kerala State Electricity Board, Thiruvananthapuram
2. Tamil Nadu Electricity Board, Chennai
3. Electricity Department, Govt. of Pondicherry, Pondicherry
4. Electricity Department, Government of Goa, Panaji
5. Transmission Corporation of Andhra Pradesh Ltd., Hyderabad
6. Northern Power Distribution Company of Andhra Pradesh Limited, Warangal
7. Eastern Power Distribution Company of Andhra Pradesh Limited, Vishakhapatnam
8. Southern Power Distribution Company of Andhra Pradesh Limited, Tirupati
9. Central Power Distribution Company of Andhra Pradesh Limited, Hyderabad
10. Karnataka Power Transmission Corporation Limited, Bangalore
11. Bangalore Electricity Supply Company Ltd., Bangalore
12. Gulbarga Electricity Supply Company Ltd. Gulbarga
13. Hubli Electricity Supply Company Ltd., Hubli
14. MESCOM Corporate office, Mangalore
15. Chamundeswari Electricity Supply Corporation Ltd., Mysore.

.Respondents

The following were present:

1. Shri U.K.Tyagi, PGCIL
2. Shri M.M. Mondal, PGCIL
3. Shri Raju Gupta, PGCIL
4. Shri S.S. Raju, PGCIL

ORDER

The petition has been filed for approval of tariff (a) 220 kV D/C Kayamkulam-Edamon transmission line; and (b) 220 kV D/C Kayamkulam-Pallon transmission line with associated bays (collectively referred to as "the transmission assets") under Kayamkulam Transmission System (the transmission system) in Southern Region for the period 1.4.2009 to 31.3.2014 based on the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2009 (hereinafter referred to as "the 2009 regulations"). The petitioner has made the following additional prayers:-

(a) To invoke the provision of Regulation 44 of the 2009 regulations for relaxation of regulations 15 (3) of the 2009 regulations so that grossing up the base rate shall be considering the revised rate of MAT as per the Finance Act, 2009 for the year 2009-10 and as per the Finance Act, 2010 for the year 2010-11 and subsequent years and allow consequential impact on tariff for 2009-14 period accordingly;

(b) In case of assets being combined to calculate the transmission charges, allow it to recover full depreciation (90% of the gross block) of the assets during its useful life (25 years for sub-station and 35 years for transmission lines) reckoning from its actual date of the commercial

operation and permit it to treat the recovery of depreciation after achieving the useful life by an asset (to be reckoned from the actual date of commercial operation) in accordance with para 6.2 of the petition;

(c) To approve reimbursement of petition filing fee and publication of notices in the newspaper as per the 2009 regulations;

(d) Allow to adjust impact on interest on loan due to floating rate of interest applicable during 2009-14;

(e) Allow to recover the service tax on transmission charges separately from the respondents, if the petitioner is subjected to such service tax; and

(f) Allow reimbursement of licence fee separately from the respondents.

2. As per the Commission letter dated 23.10.2010, the petitioner has filed this petition by clubbing two assets as above and their notional date of the commercial operation is 1.12.1999. Commission vide its said letter dated 23.10.2009 has approved the procedure for filing of petitions for determination of transmission tariff as under:

"(a) Assets forming part of a transmission scheme/project would be clubbed for the purpose of tariff determination for tariff block 2009-14. Assets from two different projects would not be clubbed for the purpose of tariff determination.

(b) For the transmission scheme/projects completed fully and under commercial operation up to 31.3.2009:

(i) Elements of a transmission project commissioned within 2 years from the actual DOCO of first element will be combined and treated as stage I of that project. If any element of that project is commissioned after 2 years the same would be considered as a part of next stage of that transmission project. Thus the total transmission project commissioning will be divided in stages based on the date of

commissioning of the individual assets. Maximum period of each stage will be two years.

(ii) The actual DOCO of last element of a stage of transmission scheme/project would be treated as the notional DOCO of combined assets of a particular stage of transmission scheme/project.

(iii) Cut off date in such cases will be reckoned from the notional DOCO of combined assets (stage wise)."

3. The investment approval for the transmission system was accorded by the Central Government vide letter dated 6.2.1996 at an estimated cost of ₹8300.00 lakh. The approval for the revised cost estimate of the transmission system of ₹20441.00, including IDC of ₹2736.00 lakh was accorded by Ministry of Power under its letter dated 3.9.1998.

4. The annual transmission charges for the period from 1.4.2004 to 31.3.2009 were decided by the Commission in its order dated 9.5.2006 in Petition No. 74/2004. Subsequently, Commission vide its order dated 17.6.2008 in Petition No. 53/2007 was approved the transfer of ownership of switchyard associated with Rajiv Gandhi Combined Cycle Power Project at Kayamkulam to NTPC and admitted capital cost of ₹7690.09 lakh and ₹5209.62 lakh respectively as on 31.3.2009. The combined total admitted capital cost for the both assets as on 31.3.2009 is ₹12899.71 lakh.

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

(₹ in lakh)

	2009-10	2010-11	2011-12	2012-13	2013-14
Depreciation	678.64	678.64	678.64	83.32	83.32
Interest on Loan	292.45	231.88	171.29	136.98	129.04
Return on Equity	310.53	310.53	310.53	310.53	310.53
Interest on Working Capital	37.13	36.46	35.83	23.37	23.91
O & M Expenses	208.27	220.18	232.83	246.10	260.15
Total	1527.02	1477.69	1429.12	800.30	806.95

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

(₹ in lakh)

	2009-10	2010-11	2011-12	2012-13	2013-14
Maintenance Spares	31.24	33.03	34.92	36.92	39.02
O & M expenses	17.36	18.35	19.40	20.51	21.68
Receivables	254.50	246.28	238.19	133.38	134.49
Total	303.10	297.66	292.51	190.81	195.19
Rate of Interest	12.25%	12.25%	12.25%	12.25%	12.25%
Interest	37.13	36.46	35.83	23.37	23.91

7. No comments or suggestions have been received from the general public in response to the notices published by the petitioner under section 64 of the Electricity Act, 2003.

8. Kerala State Electricity Board (KSEB) in its reply has made following submissions:

(i) The project cost as on the date of commercial operation was ₹86.09 crore and ₹119.90 crore for Kayamkulam-Pallom and Kayamkulam-Edamon, respectively. Being a single beneficiary of the project, it has paid a total of ₹109.16 crore till 31.2.2009 in respect of Depreciation, Advance Against of Depreciation, Return on Equity and interest on loan component of the project, i.e around 50% of the project cost in life span of 10 years had been realized by the petitioner with respect to this dedicated transmission assets which has a total life span of 35 years. KSEB has requested that prevailing norms be waived resulting in reduction in tariff;

(ii) Return on equity be limited to 17.481% based on the Minimum Alternate Tax (MAT) @ 11.33% including surcharge and cess shall be admitted in the tariff determination;

(iii) Service tax on transmission charges may not be allowed as transmission service has been exempted from taxable service vide GOI Notification No. 11/2010 (ST) dated 27.2.2010;

(iv) Since the tariff norms for the year 2004-09 and 2009-14 have incorporated the salary/wages expenses in the tariff structure and both tariff regulations provide for necessary escalation for wage/salary parameters, additional expenses may not be allowed;

(v) For this asset, a small amount of debt obligation is pending with PGCIL and thereafter instead of allowing depreciation @ a high rate of 5.72%, the depreciation at pre-revised rates may be allowed so that debt- can be serviced for remaining period through the depreciation allowed; and

(vi) Since the petitioner has been allowed return of 17.481%, the petitioner may be directed to meet the other levy of taxes and duties from the return on equity including MAT as allowed.

9. The petitioner vide its rejoinder dated 18.8.2010 has submitted the following:-

(i) The 2009 regulations were notified by the Commission after proper consultative process of open hearing wherein the views of beneficiaries were also considered. The 2009 regulations are applicable for all the utilities/beneficiaries and accordingly tariff has been determined;

(ii) In regard to service tax, the petitioner has submitted that Ministry of Finance vide its notification No. 11/2010, dated 27.2.2010 read with notification No. 45/2010, dated 20.7.2010 has exempted levy of service tax on transmission for the past period up to 26.2.2010. The transmission charges claimed in the petition, are exclusive of service tax and the same shall be borne and paid by the respondents to the petitioner and same shall be charged, if exemption from service tax is withdrawn at a later date;

(iii) In regard to wage revision of employees, the petitioner has submitted that per Ckt. km. and per bay O & M rates considered in the present petition are based on 2009 regulations. In the context of framing tariff regulation for period 2009-14, PGCIL had furnished the actual O & M cost, line and bay details of its transmission system for the 5 year period i.e 2004 to 2008, without taking into account expected manpower cost implications on account of wage revision due w.e.f. 1.1.2007. The O & M data was normalized by the Commission after

removing the spikes in the O & M cost, abnormal O & M etc. and thereafter, the base norms at 2007-08 price levels was arrived. This was escalated at 5.72% to reach 2009-10 price level. Hon`ble Commission has considered certain %age (about 50%) in the wage hike so as to stipulate the norms for 2009-10. The petitioner has further submitted that wage revision for executives level has already been done, however, for the non-executive levels, the wage revision shall be done shortly. According to the petitioner, the total impact of wage hike would be more as compared to the compensation provided in the O & M rates and accordingly, PGCIL will approach the Commission with actual additional manpower cost on account of wage revision during the period 2009-14 for claiming in the tariff; and

(iv) In regard to depreciation, the petitioner has submitted that the present petition has been filed as per 2009 regulations and the respondent seems to propose for amendment of the 2009 regulations, which needs to be dealt with as per the applicable law.

10. We have carefully considered the issues raised by KSEB and replies filed by the petitioner. The tariff of the transmission system will be determined strictly as per the provisions of the 2009 regulations. As regards the wage revision, a view will be taken by the Commission as and when the petition for the same is filed by the petitioner. As regards MAT, the same has been dealt with in para 18 of this order. The claim of the petitioner with regard to service tax, no more

survives after issue of the notification by Government of India (vide notification No. 20/2010 dated 27.2.2010 read with notification No. 45/2010 dated 20.7.2010) exempting transmission of power from the purview of the taxable services.

CAPITAL COST

11. As per clause (2) of Regulation 7 of the 2009 regulations, the project cost admitted by the Commission for determination of tariff prior to 1.4.2009 shall form the basis for determination of tariff.

12. The petitioner has claimed the capital expenditure of ₹12899.71 lakh, which was admitted vide order dated 17.6.2008 in Petition No. 53/2007. The petitioner has not claimed any additional capitalization.

13. Accordingly, gross block of ₹12899.71 lakh as on 31.3.2009 has been considered for the purpose of tariff.

DEBT- EQUITY RATIO

14. Clause (2) of Regulation 12 of the 2009 regulations *inter- alia* provides that,-

“(2) In case of the generating station and the transmission system declared under commercial operation prior to 1.4.2009, debt-equity ratio allowed by the Commission for determination of tariff for the period ending 31.3.2009 shall be considered.”

15. The petitioner has claimed tariff based on debt-equity ratio of 86.23:13.77 as admitted as on 31.3.2009. The same debt-equity ratio has been considered for the purpose of tariff.

RETURN ON EQUITY

16. Regulation 15 of the 2009 regulations provides that,-

“ 15. (1) Return on equity shall be computed in rupee terms, on the equity base determined in accordance with regulation 12.

(2) Return on equity shall be computed on pre-tax basis at the base rate of 15.5% to be grossed up as per clause (3) of this regulation:

Provided that in case of projects commissioned on or after 1st April, 2009, an additional return of 0.5% shall be allowed if such projects are completed within the timeline specified in **Appendix-II**:

Provided further that the additional return of 0.5% shall not be admissible if the project is not completed within the timeline specified above for reasons whatsoever.

(3) The rate of return on equity shall be computed by grossing up the base rate with the normal tax rate for the year 2008-09 applicable to the concerned generating company or the transmission licensee, as the case may be:

Provided that return on equity with respect to the actual tax rate applicable to the generating company or the transmission licensee, as the case may be, in line with the provisions of the relevant Finance Acts of the respective year during the tariff period shall be trued up separately for each year of the tariff period along with the tariff petition filed for the next tariff period.

(4) Rate of return on equity shall be rounded off to three decimal points and be computed as per the formula given below:

Rate of pre-tax return on equity = Base rate / (1-t)

Where t is the applicable tax rate in accordance with clause (3) of this regulation.

Illustration.-

(i) In case of the generating company or the transmission licensee paying Minimum Alternate Tax (MAT) @ 11.33% including surcharge and cess:

Rate of return on equity = $15.50 / (1 - 0.1133) = 17.481\%$

(ii) In case of generating company or the transmission licensee paying normal corporate tax @ 33.99% including surcharge and cess:

Rate of return on equity = $15.50 / (1 - 0.3399) = 23.481\%$."

17. The petitioner has computed return on equity on pre-tax basis on 11.33% MAT in accordance with tax rate applicable for the year 2008-09 and claimed return on equity of ₹310.53 lakh each year during the tariff period @ 17.481% against the equity base of ₹1776.40 lakh. This has been found to be in order. Accordingly, the petitioner shall be entitled to return on equity @ ₹310.53 lakh each year during the tariff period, as claimed.

18. The Commission vide its order dated 3.8.2010 in Petition No. 17/2010 has already taken a decision to amend the 2009 regulations. The relevant portion of the said order is extracted as under:

"We are of the view that this issue of 'grossing up the base rate with the normal tax rate for the year 2008-09' is generic in nature and therefore, it will be appropriate to make suitable provisions in the 2009 regulations to cater to any future changes in the tax rate. Accordingly, we direct the staff of the Commission to prepare and submit draft amendment to the 2009 regulations for allowing grossing up of base rate of return with the applicable tax rate as per the Finance Act for the relevant year and direct settlement of tax liability between the generating company/transmission licensee and the beneficiaries/long term transmission customers on year to year basis. Any under/over recovery on account of direct settlement of tax liability shall be subject to the final adjustment at the time of true up exercise."

19. In view of our above order the prayer of the petitioner will be taken care of after amendment of the regulations.

INTEREST ON LOAN

20. Regulation 16 of the 2009 regulations provides that,-

"16. (1) The loans arrived at in the manner indicated in regulation 12 shall be considered as gross normative loan for calculation of interest on loan.

(2) The normative loan outstanding as on 1.4.2009 shall be worked out by deducting the cumulative repayment as admitted by the Commission up to 31.3.2009 from the gross normative loan.

(3) The repayment for the year of the tariff period 2009-14 shall be deemed to be equal to the depreciation allowed for that year:

(4) Notwithstanding any moratorium period availed by the generating company or the transmission licensee, as the case may be the repayment of loan shall be considered from the first year of commercial operation of the project and shall be equal to the annual depreciation allowed,.

(5) The rate of interest shall be the weighted average rate of interest calculated on the basis of the actual loan portfolio at the beginning of each year applicable to the project:

Provided that if there is no actual loan for a particular year but normative loan is still outstanding, the last available weighted average rate of interest shall be considered:

Provided further that if the generating station or the transmission system, as the case may be, does not have actual loan, then the weighted average rate of interest of the generating company or the transmission licensee as a whole shall be considered.

(6) The interest on loan shall be calculated on the normative average loan of the year by applying the weighted average rate of interest.

(7) The generating company or the transmission licensee, as the case may be, shall make every effort to re-finance the loan as long as it results in net savings on interest and in that event the costs associated with such re-financing shall be borne by the beneficiaries and the net savings shall be shared between the beneficiaries and the generating company or the transmission licensee, as the case may be, in the ratio of 2:1.

(8) The changes to the terms and conditions of the loans shall be reflected from the date of such re-financing.

(9) In case of dispute, any of the parties may make an application in accordance with the Central Electricity Regulatory Commission (Conduct of Business) Regulations, 1999, as amended from time to time, including statutory re-enactment thereof for settlement of the dispute:

Provided that the beneficiary or the transmission customers shall not withhold any payment on account of the interest claimed by the generating company or the transmission licensee during the pendency of any dispute arising out of re-financing of loan.”

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

- (i) As the switchyard had been transferred to NTPC amounting to ₹8709.94 lakh during the tariff period 2004-09, therefore, the actual loan portfolio has been adjusted proportionately for the calculation of the weighted average rate of interest;
- (ii) Proportionate gross amount of loan, proportionate repayment of instalments and rate of interest and weighted average rate of interest on actual loan have been considered as per the petition;
- (iii) The repayment for the tariff period 2009-14 shall be deemed to be equal to the depreciation allowed for that period;
- (iv) As per the Regulation 16(4), moratorium period availed by the transmission licensee, if any shall be ignored and the repayment of the loan shall be considered from the first year of commercial operation of the project and shall be equal to the annual depreciation allowed;
- (v) Weighted average rate of interest on actual loan worked out as per (i) and (ii) above has been applied on the average loan

during the year to arrive at the interest on loan. The rate of interest has been taken as weighted average rate of interest calculated on the basis of the actual average loan portfolio for each year during the tariff period;

- (vi) The interest on loan has been calculated on the basis of rate prevailing as on 1.4.2009. Corporation Bank, Punjab National Bank-I and IBRD loan considered by the petitioner floating rate of interest. The petitioner has submitted that the change in interest rate due to floating rate of interest applicable, if any needs to be claimed/adjusted over the tariff period 2009-14 directly from the beneficiaries. The weighted average rate of interest as on 1.4.2009 shall be basis for the purpose of calculation of interest as per the 2009 regulations. Therefore, interest of loan has been calculated based on the floating rate as on 1.4.2009.

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

Details of loan	(₹ in lakh)					
	Up to 31.3.2009	2009-10	2010-11	2011-12	2012-13	2013-14
Gross Normative Loan	11123.32	11123.32	11123.32	11123.32	11123.32	11123.32
Cumulative Repayment up to Previous Year		7446.19	8124.83	8803.48	9482.12	9565.45
Net Loan-Opening		3677.13	2998.48	2319.84	1641.20	1557.87
Addition due to Additional Capitalisation		0.00	0.00	0.00	0.00	0.00
Repayment during the year		678.64	678.64	678.64	83.32	83.32
Net Loan-Closing		2998.48	2319.84	1641.20	1557.87	1474.55
Average Loan		3337.81	2659.16	1980.52	1599.53	1516.21
Weighted Average Rate of Interest on Loan		8.7618%	8.7201%	8.6488%	8.5639%	8.5111%
Interest		292.45	231.88	171.29	136.98	129.05

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

DEPRECIATION

24. Regulation 17 of the 2009 regulations provides for computation of depreciation in the following manner, namely:

“17. (1) The value base for the purpose of depreciation shall be the capital cost of the asset admitted by the Commission.

(2) The salvage value of the asset shall be considered as 10% and depreciation shall be allowed up to maximum of 90% of the capital cost of the asset.

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xxxx

(3) Land other than the land held under lease and the land for reservoir in case of hydro generating station shall not be a depreciable asset and its cost shall be excluded from the capital cost while computing depreciable value of the asset.

(4) Depreciation shall be calculated annually based on Straight Line Method and at rates specified in Appendix-III to these regulations for the assets of the generating station and transmission system:

Provided that, the remaining depreciable value as on 31st March of the year closing after a period of 12 years from date of commercial operation shall be spread over the balance useful life of the assets.

(5) In case of the existing projects, the balance depreciable value as on 1.4.2009 shall be worked out by deducting the cumulative depreciation as admitted by the Commission up to 31.3.2009 from the gross depreciable value of the assets.

(6) Depreciation shall be chargeable from the first year of commercial operation. In case of commercial operation of the asset for part of the year, depreciation shall be charged on pro rata basis.”

25. The transmission assets will complete 12 years as on 30.11.2011 and thus, the remaining depreciation value of transmission system as on 1.4.2012 has to

be spread over the balance useful of the transmission system. The balance useful life of the assets has not been calculated vide the order dated 17.6.2007 in Petition No. 53/2007. As per the Regulation 17 (4) of the 2009 regulations useful life for transmission line and sub-station is 35 year and 25 year, respectively. For the purpose of calculation, the life of building and Power Line Communication Channel (PLCC) has been taken as 25 years. In the present petition, the combined weighted average value of assets as on 1.4.2009 has been considered to workout the weighted average life of the transmission system including sub-station, which is 34 years.

26. Accordingly, combined assets covered in the present petition will complete 12 years as on 30.11.2011(as per the notional date of commercial operation), thus the remaining depreciation value of transmission system as on 1.4.2012 has been spread over the weighted average balance useful life of the transmission system, i.e 22 years which has been calculated as per admitted capital cost as on 31.3.2009.

27. For the period 1.4.2009 to 31.3.2014 the depreciation works out to ₹678.64 lakh each year by applying rate of depreciation of 5.2609% as shown below:

		(₹ in lakh)					
Details of Depreciation		Up to 31.3.2009	2009-10	2010-11	2011-12	2012-13	2013-14
Gross block as per order 9.5.2006 read with order dated 17.6.2008		12899.71	12899.71	12899.71	12899.71	12899.71	12899.71
Addition during 2009-14 due to projected Additional Capitalisation			0.00	0.00	0.00	0.00	0.00
Gross block as on 31.3.2009			12899.71	12899.71	12899.71	12899.71	12899.71
Average gross block			12899.71	12899.71	12899.71	12899.71	12899.71
Rate of Depreciation			5.2609%	5.2609%	5.2609%	5.2609%	5.2609%
Depreciable Value	90%		11556.96	11556.96	11556.96	11556.96	11556.96
Elapsed Life			9	10	11	12	13
Balance Useful life of the asset			25	24	23	22	21
Remaining Depreciable Value			3869.07	3190.42	2511.78	1833.13	1749.81
Depreciation			678.64	678.64	678.64	83.32	83.32

OPERATION & MAINTENANCE EXPENSES

28. In accordance with clause (g) of Regulation 19 the 2009 regulations, the following norms for 220 kV D/C Kayamkulam-Edamon transmission line (twin conductor) and 220 kV D/C Kayamkulam-Pallom transmission lines (Single conductor) with associated bays are prescribed for O & M expenses:

	Year				
	2009-10	2010-11	2011-12	2012-13	2013-14
for 220 kV D/C Kayamkulam-Edamon transmission line (twin conductor) (₹ in lakh /km)	0.627	0.663	0.701	0.741	0.783
220 kV D/C Kayamkulam-Pallom transmission lines (Single conductor) (₹ in lakh/ bay)	0.269	0.284	0.301	0.318	0.336
220 kV bays (₹ in lakh/ bay)	36.68	38.78	41.00	43.34	45.82

29. The petitioner has claimed O & M expenses for 125 Ckt.km and 4 bays, which has been allowed. Accordingly, the petitioner's entitlement to O & M expenses has been worked out as given hereunder:

(₹ in lakh)

	Year				
	2009-10	2010-11	2011-12	2012-13	2013-14
Transmission lines (125 km)	61.55	65.06	68.83	72.74	76.87
O&M expenses for 4 bays	146.72	155.12	164.00	173.36	183.28
Total	208.27	220.18	232.83	246.10	260.15

30. The petitioner has submitted that transmission charges claimed for the year 2009-14 is inclusive of O & M expenses for project derived based on the norms for expenditure as specified under Regulation 19 (g) of the 2009 regulation. Accordingly, O & M expenses for the transmission assets have been considered as per Regulation 19 (g) of the 2009 regulations. The petitioner has further submitted that he reserves the right to approach the Commission for suitable revision in the norms for O & M expenditure in case the impact of wage hike w.e.f 1.1.2007 is more than 50%. The petitioner has further submitted that O & M norms for the period 2009-14, the cost associated with license fees had not been captured and the licence fee be allowed to be recovered separately from the respondents. The petitioner has not made any claim towards wage hike and licence fee in the present petition, these issues shall be considered after making the application by the petitioner in this regard.

INTEREST ON WORKING CAPITAL

31. The components of the working capital and the interest thereon are discussed hereunder:

(i) Receivables

As per Regulation 18(1)(c)(i) of the 2009 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.

(ii) Maintenance spares

Regulation 18(1)(c)(ii) of the 2009 regulations provides for maintenance spares @ 15% per annum of the O & M expenses from 1.4.2009. The value of maintenance spares works out to ₹31.24 lakh as on 1.4.2009.

(iii) O & M expenses

Regulation 18(1) (c) (iii) of the 2009 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.

(iv) Rate of interest on working capital

As per Regulation 18 (3) of the 2009 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 1.4.2009 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 1.4.2009, which is in accordance with the 2009 regulations and has been allowed.

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

(₹ in lakh)

	2009-10	2010-11	2011-12	2012-13	2013-14
Maintenance Spares	31.24	33.03	34.92	36.92	39.02
O & M expenses	17.36	18.35	19.40	20.51	21.68
Receivables	254.50	246.28	238.19	133.39	134.49
Total	303.10	297.66	292.52	190.81	195.20
Rate of Interest	12.25%	12.25%	12.25%	12.25%	12.25%
Interest	37.13	36.46	35.83	23.37	23.91

TRANSMISSION CHARGES

33. The transmission charges being allowed for the transmission asset are summarised below:

(₹ in lakh)

	2009-10	2010-11	2011-12	2012-13	2013-14
Depreciation	678.64	678.64	678.64	83.32	83.32
Interest on Loan	292.45	231.88	171.29	136.98	129.05
Return on Equity	310.53	310.53	310.53	310.53	310.53
Interest on Working Capital	37.13	36.46	35.83	23.37	23.91
O & M Expenses	208.27	220.18	232.83	246.10	260.15
Total	1527.03	1477.70	1429.13	800.31	806.96

Application fee and the publication expenses

34. The petitioner has sought approval for the reimbursement of fee paid by it for filing the petition. In accordance with our decision in order dated 11.1.2010 in Petition No. 109/2009, the petitioner shall be entitled to recover the filing fee from the beneficiaries.

35. Accordingly, expenses incurred by the petitioner on application filing fees and publication of notices in connection with the present petition shall be directly recovered from the beneficiary on pro rata basis.

36. The transmission charges allowed shall be recovered on monthly basis in accordance with Regulation 23 and shall be shared by the respondents in accordance with Regulation 33 of the 2009 regulations.

37. This order disposes of Petition No. 132/2010.

sd/-
(M.DEENA DAYALAN)
MEMBER

sd/-
(V.S.VERMA)
MEMBER

sd/-
(Dr. PRAMOD DEO)
CHAIRPERSON

CALCULATION OF WEIGHTED AVERAGE RATE OF INTEREST ON LOAN

(₹ in lakh)						
	Details of Loan	2009-10	2010-11	2011-12	2012-13	2013-14
1	BONDS VI					
	Gross loan opening	382.03	382.03	382.03	382.03	382.03
	Cumulative Repayment up to the date of commercial operation/previous year	267.42	305.62	343.82	382.02	382.02
	Net Loan-Opening	114.61	76.41	38.21	0.01	0.01
	Additions during the year	0.00	0.00	0.00	0.00	0.00
	Repayment during the year	38.20	38.20	38.20	0.00	0.00
	Net Loan-Closing	76.41	38.21	0.01	0.01	0.01
	Average Loan	95.51	57.31	19.11	0.01	0.01
	Rate of Interest	13.13%	13.13%	13.13%	13.13%	13.13%
	Interest	12.54	7.52	2.51	0.00	0.00
	Rep Schedule	10 Annual Instalments from 6.12.2002				
2	CORPORATION BANK					
	Gross loan opening	415.22	415.22	415.22	415.22	415.22
	Cumulative Repayment up to the date of commercial operation /previous year	228.37	269.89	311.41	352.93	394.45
	Net Loan-Opening	186.85	145.33	103.81	62.29	20.77
	Additions during the year	0.00	0.00	0.00	0.00	0.00
	Repayment during the year	41.52	41.52	41.52	41.52	20.77
	Net Loan-Closing	145.33	103.81	62.29	20.77	0.00
	Average Loan	166.09	124.57	83.05	41.53	10.39
	Rate of Interest	11.40%	11.40%	11.40%	11.40%	11.40%
	Interest	18.93	14.20	9.47	4.73	1.18
	Rep Schedule	20 Half yearly Instalments from 10.3.2004				
3	BOND VII					
	Gross loan opening	791.99	791.99	791.99	791.99	791.99
	Cumulative Repayment up to the date of commercial operation /previous year	791.99	791.99	791.99	791.99	791.99
	Net Loan-Opening	0.00	0.00	0.00	0.00	0.00
	Additions during the year	0.00	0.00	0.00	0.00	0.00
	Repayment during the year	0.00	0.00	0.00	0.00	0.00
	Net Loan-Closing	0.00	0.00	0.00	0.00	0.00
	Average Loan	0.00	0.00	0.00	0.00	0.00
	Rate of Interest	0.00%	0.00%	0.00%	0.00%	0.00%
	Interest	0.00	0.00	0.00	0.00	0.00
	Rep Schedule	5 Annual Instalments from 4.8.2003				
4	BOND XI OPTION - II					
	Gross loan opening	764.12	764.12	764.12	764.12	764.12
	Cumulative Repayment up to the date of commercial operation /previous year	764.12	764.12	764.12	764.12	764.12
	Net Loan-Opening	0.00	0.00	0.00	0.00	0.00
	Additions during the year	0.00	0.00	0.00	0.00	0.00
	Repayment during the year	0.00	0.00	0.00	0.00	0.00
	Net Loan-Closing	0.00	0.00	0.00	0.00	0.00
	Average Loan	0.00	0.00	0.00	0.00	0.00
	Rate of Interest	0.00%	0.00%	0.00%	0.00%	0.00%
	Interest	0.00	0.00	0.00	0.00	0.00
	Rep Schedule	6 Annual Instalments from 7.12.2003				

5	BOND XIII OPTION - II					
	Gross loan opening	614.01	614.01	614.01	614.01	614.01
	Cumulative Repayment up to the date of commercial operation /previous year	614.01	614.01	614.01	614.01	614.01
	Net Loan-Opening	0.00	0.00	0.00	0.00	0.00
	Additions during the year	0.00	0.00	0.00	0.00	0.00
	Repayment during the year	0.00	0.00	0.00	0.00	0.00
	Net Loan-Closing	0.00	0.00	0.00	0.00	0.00
	Average Loan	0.00	0.00	0.00	0.00	0.00
	Rate of Interest	0.00%	0.00%	0.00%	0.00%	0.00%
	Interest	0.00	0.00	0.00	0.00	0.00
	Rep Schedule	6 Annual Instalments from 31.7.2003				
6	PUNJAB NATIONAL BANK - I					
	Gross loan opening	831.05	831.05	831.05	831.05	831.05
	Cumulative Repayment up to the date of commercial operation /previous year	498.63	581.73	664.83	747.93	831.05
	Net Loan-Opening	332.42	249.32	166.22	83.12	0.00
	Additions during the year	0.00	0.00	0.00	0.00	0.00
	Repayment during the year	83.10	83.10	83.10	83.12	0.00
	Net Loan-Closing	249.32	166.22	83.12	0.00	0.00
	Average Loan	290.87	207.77	124.67	41.56	0.00
	Rate of Interest	9.41%	9.41%	9.41%	9.41%	9.41%
	Interest	27.37	19.55	11.73	3.91	0.00
	Rep Schedule	10 Annual Instalments from 30.3.2004				
7	IBRD - I					
	Gross loan opening	6298.49	6298.49	6298.49	6298.49	6298.49
	Cumulative Repayment up to the date of commercial operation /previous year	3556.87	4090.79	4665.11	5282.82	5947.35
	Net Loan-Opening	2741.62	2207.70	1633.38	1015.67	351.14
	Additions during the year	0.00	0.00	0.00	0.00	0.00
	Repayment during the year	533.92	574.32	617.71	664.53	351.14
	Net Loan-Closing	2207.70	1633.38	1015.67	351.14	0.00
	Average Loan	2474.66	1920.54	1324.53	683.41	175.57
	Rate of Interest	8.34%	8.34%	8.34%	8.34%	8.34%
	Interest	206.39	160.17	110.47	57.00	14.64
	Rep Schedule	Half yearly installment from 1.6.2004				
	Total Loan					
	Gross loan opening	10096.91	10096.91	10096.91	10096.91	10096.91
	Cumulative Repayment up to the date of commercial operation /previous year	6721.41	7418.15	8155.29	8935.82	9724.99
	Net Loan-Opening	3375.50	2678.76	1941.62	1161.09	371.92
	Additions during the year	0.00	0.00	0.00	0.00	0.00
	Repayment during the year	696.74	737.14	780.53	789.17	371.91
	Net Loan-Closing	2678.76	1941.62	1161.09	371.92	0.01
	Average Loan	3027.13	2310.19	1551.36	766.51	185.97
	Rate of Interest	8.7618%	8.7201%	8.6488%	8.5639%	8.5111%
	Interest	265.23	201.45	134.17	65.64	15.83