

CENTRAL ELECTRICITY REGULATORY COMMISSION

NEW DELHI

Petition No.285/2010

**Coram: Dr. Pramod Deo, Chairperson
Shri S.Jayaraman, Member
Shri V.S.Verma, Member**

Date of Hearing: 8.3.2011

Date of Order: 27.4.2011

In the matter of

Determination of transmission tariff for combined assets of (a) 220 kV D/C Unchahar-Kanpur transmission line-I with associated bays; (b) 220 kV D/C Unchahar-Kanpur transmission line-II with associated bays; and (c) LILO of one ckt of 220 kV D/C Panki-Mainpuri line of transmission system associated with Unchahar Stage-II in Northern 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. Rajasthan Rajya Vidyut Prasaran Nigam Limited, Jaipur
2. Ajmer Vidyut Vitaran Nigam Ltd., Jaipur
3. Jaipur Vidyut Vitaran Nigam Ltd, Jaipur
4. Jodhpur Vidyut Vitaran Nigam Ltd, Jaipur
5. Himachal Pradesh State Electricity Board, Shimla
6. Punjab State Electricity Board, Patiala
7. Haryana Power Purchase Centre, Panchkula
8. Power Development Department, Govt. of J&K, Jammu
9. Uttar Pradesh Power Corporation Ltd, Lucknow
10. Delhi Transco Ltd, New Delhi
11. BSES Yamuna Power Limited, New Delhi
12. BSES Rajdhani Power Ltd., New Delhi
13. North Delhi Power Ltd., New Delhi
14. Chandigarh Administration, Chandigarh
15. Uttarakhand Power Corporation Ltd, Dehradun
16. North Central Railway, Allahabad
17. New Delhi Municipal Council, New Delhi

.....Respondents



The following were present:

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

ORDER

The petition has been filed for determination of transmission tariff for combined assets of (a) 220 kV D/C Unchahar-Kanpur transmission line-I with associated bays; (b) 220 kV D/C Unchahar-Kanpur transmission line-II with associated bays; and (c) LILO of one Ckt of 220 kV D/C Panki-Mainpuri line-II (hereinafter collectively referred to as the "transmission assets") transmission system (hereinafter referred to as "the transmission system") associated with Unchahar Stage-II in Northern Region for the period from 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") after accounting for additional capital expenditure incurred/projected to be incurred during 2011-12. The petitioner has made the following additional prayers:-

- (a) To approve reimbursement of petition filing fee and publication of notices in the newspaper as per the 2009 regulations;
- (b) Allow to bill and adjust impact on interest on loan due to change in interest rate on account of floating rate of interest applicable during 2009-14, if any from the respondents;



- (c) Allow reimbursement of licence fee separately from the respondents;
- (d) In case of assets being combined to calculate the transmission charges, allow it to recover full depreciation (90% of the gross block) of the asset during its useful life (25 years for sub-station and 35 years for transmission lines) reckoning from its actual date of the commercial operation. Commission may also be pleased to permit the petitioner 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 7.2 of the petition; and
- (e) Allow to bill and recover the service tax on transmission charges separately from the respondents, if the petitioner is subjected to such service tax.

2. The annual transmission charges up to 31.3.2009 in respect of the transmission system were initially approved vide order dated 3.2.2006 in Petition No. 82/2004 which were subsequently revised vide order dated 19.5.2008 in Petition No. 293/2009.

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

(₹ in lakh)

	2009-10	2010-11	2011-12	2012-13	2013-14
Depreciation	585.64	592.39	599.15	599.15	117.08
Interest on Loan	343.15	307.46	271.12	226.85	200.23
Return on Equity	84.76	91.47	98.17	98.17	98.17
Interest on Working Capital	45.06	45.97	46.95	47.55	38.56
O & M Expenses	478.53	505.81	534.98	565.48	597.77
Total	1537.14	1543.10	1550.37	1537.20	1051.81

4. 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	71.78	75.87	80.25	84.82	89.67
O & M expenses	39.88	42.15	44.58	47.12	49.81
Receivables	256.19	257.19	258.39	256.20	175.31
Total	367.85	375.21	383.22	388.14	314.79
Rate of Interest	12.25%	12.25%	12.25%	12.25%	12.25%
Interest on working capital	45.06	45.96	46.94	47.55	38.56

5. 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. Reply to the petition has been filed by Uttar Pradesh Power Corporation Limited (UPPCL). The main issues raised by UPPCL pertain to the petitioner's claim of additional capital expenditure, treatment of depreciation, reimbursement of filing fee, service tax and licence fee. etc. The issues have been addressed in relevant paras of this order.

6. The assets of the transmission system were commissioned as per the following details:

Assets	Name of the asset	Date of commercial operation
Asset-I	220 kV D/C Unchahar-Kanpur transmission line-I with associated bays	1.6.1999
Asset-II	220 kV D/C Unchahar-Kanpur transmission line-II with associated bays	1.1.2000
Asset-III	LILO of one Ckt of 220 kV D/C Panki-Mainpuri line-II	1.12.2000

7. In accordance with the procedure of the Commission issued under letter Ref No. C-7/189(204)/2009-CERC, dated 23.10.2009, the above assets associated with the Unchahar Stage-III project in Northern Region have been clubbed for the purpose of determination of transmission charges with notional date of commercial as 1.12.2000.

CAPITAL COST

8. The last proviso to clause (2) of Regulation 7 of the 2009 regulations provides as under:

“Provided that in case of the existing projects, capital cost admitted by the Commission prior to 1.4.2009 and the additional capital expenditure projected to be incurred for the respective year of the tariff period 2009-14 as may be admitted by the Commission, shall form the basis for determination of tariff”.

9. The Capital cost admitted by the Commission up to 31.3.2009 is as under:

(₹ in lakh)			
Assets	Name of the asset	Capital cost as on 31.3.2009	Orders of the Commission
Asset-I	220 kV D/C Unchahar-Kanpur transmission line-I with associated bays	5577.80	3.2.2006 and 19.5.2008 in Petition No. 82/2004
Asset-II	220 kV D/C Unchahar-Kanpur transmission line-II with associated bays	4921.87	3.2.2006 and 19.5.2008 in Petition No. 82/2004
Asset-III	LILO of one Ckt of 220 kV D/C Panki-Mainpuri line-II	638.42	3.2.2006 and 19.5.2008 in Petition No. 82/2004
	Total	11138.09	

10. The above admitted capital cost of ₹ 11138.07 lakh as on 31.3.2009 has been considered for determination of transmission tariff.

ADDITIONAL CAPITAL EXPENDITURE

11. Regulation 9 of the 2009 regulations provides as under:

“(1) The capital expenditure incurred or projected to be incurred, on the following counts with in original scope of work, after the date of commercial operation and up to the cut-off date may be admitted by the Commission, subject to prudence check:

- (i) Undischarged liabilities;*
- (ii) Works deferred for execution;*
- (iii) Procurement of initial capital spares within the original scope of work, subject to the provisions of regulating 8 ;*
- (iv) Liabilities to meet award of arbitration or for compliance of the order or decree of a court; and*
- (v) Change in law;*

Provided that the details of works included in the original scope of work along with estimates of expenditure, undischarged liabilities and the works deferred for execution shall be submitted along with the application for determination of the tariff.

(2) The capital expenditure incurred on the following counts after the cut-off-date, in its discretion, be admitted by the Commission, subject to prudence check:

- (i) *Liabilities to meet award of arbitration or for compliance of the order or decree of a court;*
- (ii) *Change in law;*
- (iii) *****
- (iv) *****
- (v) *In case of transmission system any additional expenditure on items such as relays, control and instrumentation, computer system, power line carrier communication, DC batteries, replacement of switchyard equipment due to increase of fault level, emergency restoration system, insulators cleaning infrastructure, replacement of damaged equipment not covered by insurance and any other expenditure which has become necessary for successful and efficient operation of the transmission system."*

12. The petitioner has claimed the tariff after accounting for additional capital expenditure as under:

(₹ in lakh)		
Admitted capital cost as on 31.3.2009	Capital expenditure incurred during 2011-12	Total estimated capital expenditure
11138.07	255.80	11393.87

13. The details submitted by the petitioner in support of its claim for projected additional capital expenditure for the transmission assets is given hereunder:

Years	Nature and details of expenditure	Amount (₹ in lakh)
2011-12	Sub-station equipments - gravel filling in 400 kV switchyard at Kanpur	255.80
Total		255.80

14. UPPCL in its reply has submitted that the petitioner should not be allowed the additional capital expenditure unless it satisfies the following queries:

- (a) That the cost of gravel is covered under the original estimate of work and the intimation of which had been given to the Commission as details of deferred work;
- (b) That the Regulations, if any framed by the CEA under Section 53 of Electricity Act, 2003 clearly mentions about the gravel laying in the switchyard;
- (d) That the expenditure of ₹ 255.80 lakh has been certified by the auditor as required under clause 5 (2) of the 2009 regulations; and
- (e) That the expenditure of gravel lying in switchyard is justified under Regulation 9 (2) of the 2009 regulations.

15. The petitioner vide its affidavit dated 29.12.2010 has submitted that the 400 kV Kanpur sub-station work was designed during the period 1980. Since the actual fault level was low during initial stage, gravel filling was not envisaged. Subsequently, due to addition of several parallel lines in Sinrauli/Rihand/Allahabad-Kanpur-Ballabgarh power corridor and the direct connectively of Unchahar and Auriya power project of NTPC, the system fault level have gone up substantially. Therefore, the gravel filling work is required to ensure safety and security of the system as well as of the operating personnel keeping in view increased fault level after several expansions of the sub-station. It has been submitted that Central Electricity Authority has also advised for gravel filling in 400 kV switchyard area during

inspection in the year 2006. Further, in the year 2008 Central Electricity Authority has advised for compliance of its direction issued in the year 2006. In regard to justification for the estimated expenditure, the petitioner has submitted that expenditure has been worked out on the basis of various LOAs placed for similar nature of work carried out in the Northern Region. The petitioner has further submitted that the proposal for gravel filling was under tendering stage and accordingly, the expenditure of ₹ 255.80 lakh would be incurred in the year 2011-12 instead of 2010-11 as indicated earlier.

16. We have considered the submissions of UPPCL and the petitioner. In our view, gravel filling in the switchyard is necessary for ensuring safety and security of the system and operating personnel. Moreover, the Electrical Inspector of the Central Electricity Authority had advised in 2006 for filling of gravel in 400 kV Kanpur switchyard area and such recommendations are binding on the owner of all HV and EHV installations in terms of Rule 65 (7) of the Indian Electricity Rules.

17. In our considered view, the expenditure projected to be incurred during 2011-12 for gravel filling is essential for efficient and successful operation of transmission system and is covered under Regulations 9 (2) (v) of the 2009 regulations. Since the expenditure is projected to be incurred after the cut-off date, we relax the conditions of Regulations 9 (2) in terms of our earlier decisions dated 8.2.2010 in Petition No. 176/2010 and allow the expenditure to be capitalized.



TOTAL CAPITAL COST

18. Based on the above, gross block as given below, has been considered for the purpose of tariff for the transmission assets, after allowing projected additional capital expenditure as claimed by the petitioner:

(₹ in lakh)

Admitted capital cost as on 31.3.2009	Projected additional capital expenditure incurred during 2011-12	Total capital expenditure as on 1.4.2014
11138.07	255.80	11393.87

DEBT- EQUITY RATIO

19. 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.”

20. The petitioner has claimed tariff based on debt-equity ratio of 95.65:04.35 as admitted on 31.3.2009 vide order dated 19.5.2008 in Petition 82/2004. The petitioner has further claimed the amount of additional capital expenditure in the debt-equity ratio of 70:30 for the year 2011-12. For the purpose of tariff, equity considered for the transmission asset is as under:

(₹ in lakh)

Equity as on 1.4.2009	Notional equity due to additional capital expenditure for the period 2011-12	Average equity for 2011-12	Equity for the period 2012-14	Average equity for 2012-14
484.87	76.74	523.24	561.61	561.61

RETURN ON EQUITY

21. 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."

22. UPPCL has submitted that the Commission vide its order dated 3.8.2010 in Petition No. 17/2010 has taken a decision to amend the 2009 regulations for allowing grossing up of the base rate of return with the applicable tax rate as per the Finance Act for the relevant year and for direct settlement of tax holidays between the generating company/transmission licensee and the beneficiaries/long- term transmission customers on year to year basis.

However, amendment of 2009 regulations is still awaited, the prayer of the petitioner for grossing up of the base rate of ROE every year with applicable tax rate is not tenable. It is clarified that the process of amendment to the 2009 regulations is under way and will address the grievance of the petitioner with regard to the MAT rate. Accordingly, the return on equity has been computed as per the existing provision of Regulation 15 (3) of 2009 regulation as under:

(₹ in lakh)					
Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
Opening Equity as on 1.4.2009	484.87	484.87	484.87	561.61	561.61
Addition due to Additional Capitalisation	0.00	0.00	76.74	0.00	0.00
Closing Equity	484.87	484.87	561.61	561.61	561.61
Average Equity	484.87	484.87	523.24	561.61	561.61
Return on Equity (Base Rate)	15.50%	15.50%	15.50%	15.50%	15.50%
Tax rate for the year 2008-09	11.330%	11.330%	11.330%	11.330%	11.330%
Rate of Return on Equity (Pre Tax)	17.481%	17.481%	17.481%	17.481%	17.481%
Return on Equity (Pre Tax)	84.76	84.76	91.47	98.18	98.18

INTEREST ON LOAN

23. 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."

24. The interest on loan has been worked out as detailed below:
- (i) Details of net outstanding loan as on 31.3.2009, cumulative repayment up to 31.3.2009, repayment schedule for the loans, rate of interest etc. have been taken from the order dated

19.5.2008 in Petition No. 82/2004 for working out weighted average rate of interest;

- (ii) Tariff has been worked out considering normative loan and normative repayments. Depreciation allowed have been taken as normative repayment for the tariff period 2009-14;
- (iii) Weighted average rate of interest on actual loan has been worked out as per above and applied on the average loan during the year to arrive at the interest on loan; and
- (iv) Repayment for the foreign loan ADB-I has been considered from repayment schedule.

25. It can be seen that the petitioner has submitted separate set of calculations and considered interest rate of Bond XXXIII separately for the purpose of calculation of weighted average interest rate. For the purpose of calculation, tariff has been worked out by considering admitted capital cost as on 31.3.2009 along with the projected additional capital expenditure under single calculation and accordingly, the weighted average rate of interest has been considered for calculating interest on loan.

26. The detailed calculations in support of the weighted revised average rate of interest are contained in Annexure attached to this order. Based on the above, the year-wise details of interest worked out are given hereunder:

(₹ in lakh)						
Details of loan	Up to 31.3.2009	2009-10	2010-11	2011-12	2012-13	2013-14
Gross Normative Loan	10653.20	10653.20	10653.20	10653.20	10832.26	10832.26
Cumulative Repayment up to Previous Year		5515.41	6101.05	6686.69	7279.08	7878.22
Net Loan-Opening		5137.79	4552.15	3966.51	3553.18	2954.04
Addition due to Additional Capitalisation		0.00	0.00	179.06	0.00	0.00
Repayment during the year		585.64	585.64	592.39	599.14	117.75
Net Loan-Closing		4552.15	3966.51	3553.18	2954.04	2836.28
Average Loan		4844.97	4259.33	3759.85	3253.61	2895.16
Weighted Average Rate of Interest on Loan		7.0827%	7.0785%	7.0773%	7.0415%	7.0558%
Interest		343.15	301.50	266.10	229.10	204.28

DEPRECIATION

27. Regulation 17 of the 2009 regulations provides for computation of depreciation in the following manner:

"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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(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."

28. The asset covered in the present petition will complete 12 years as on 31.3.2013. Thus, the remaining depreciation value of the transmission asset as on 1.4.2013 has to be spread over the balance useful life (24 years) of the transmission asset as on 1.4.2009. In accordance with 2009 regulations, the weighted average life of the transmission system has been worked out 32 years considering assets value as on 1.4.2009 and life of the transmission line and sub-station has been considered 35 years and 25 years respectively. For the purpose of commutation of weighted average life, the life of the Building and Power Line Carrier Communication has been assumed as 25 years as these has not been specified in the 2009 regulations. Accordingly, assets covered in the present petition will complete 12 years during 2012-13. Thus, remaining depreciable values as on 1.4.2013 is being spread over as per balance useful life of the asset. Accordingly, depreciation works out is as under:

		(₹ in lakh)					
Details of Depreciation		Up to 31.3.2009	2009-10	2010-11	2011-12	2012-13	2013-14
Gross block as per last order		11138.07	11138.07	11138.07	11138.07	11393.87	11393.87
Addition during 2009-14 due to projected Additional Capitalisation			0.00	0.00	255.80	0.00	0.00
Gross block			11138.07	11138.07	11393.87	11393.87	11393.87
Average gross block			11138.07	11138.07	11265.97	11393.87	11393.87
Rate of Depreciation			5.2580%	5.2580%	5.2582%	5.2585%	5.2585%
Depreciable Value	90%		10003.09	10003.09	10118.20	10233.31	10233.31
Weighted Balance Useful life of the combine assets			8	9	10	11	12
Remaining Depreciable Value			24	23	22	21	20
Remaining Depreciable Value			4487.69	3902.05	3431.52	2954.24	2355.09
Depreciation			585.64	585.64	592.39	599.14	117.75

OPERATION & MAINTENANCE EXPENSES

29. In accordance with clause (g) of Regulation 19 the 2009 regulations, the following norms for 220 kV, D/C and S/C Single conductor, transmission line and 220 kV bay are prescribed for O & M expenses:

Year	2009-10	2010-11	2011-12	2012-13	2013-14
Double Circuit single conductor transmission line (₹ in lakh /km)	0.269	0.284	0.301	0.318	0.336
400 kV bays (₹ in lakh/ bay)	52.40	55.40	58.57	61.92	65.46
220 kV bay (₹ in lakh/bay)	36.68	38.78	41.00	43.34	45.82

30. 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
O&M expenses for 220 kV D/C Single conductor transmission line (143.553+144.533+10.4=298.486 ckt/km)	80.29	84.77	89.84	94.82	100.29
O&M expenses for 400 kV bays (2 bays)	104.80	110.80	117.14	123.84	130.92
O&M expenses for 220 kV (8 bays)	293.44	310.24	328.00	346.72	366.56
Total	478.53	505.81	534.98	565.48	597.77

31. UPPCL has submitted that as the 2009 regulations have been framed after detailed consultation, discussion and public hearing, the sanctity of the regulation should be maintained and the request for revision in O & M norms should not be considered. The petitioner has submitted that O & M expenditure for 2009-14 tariff block had been arrived on the basis of normalized actual O & M expenses of the petitioner during the year 2003-04 to 2007-08. The wage hike of 50% on account of pay revision of the employees of public sector undertaking was also considered while calculating the O & M charges for 2009-14 periods. The petitioner has submitted that it would approach the Commission for suitable revision in the norms of O & M expenses

in case the impact of wage hike w.e.f. 1.1.2007 is more than 50%. With reference to the submission of the petitioner, it is clarified that if any such application is made, it will be dealt with in accordance with law.

INTEREST ON WORKING CAPITAL

32. 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 of annual transmission charges. 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 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 specified in Regulation 19 of the 2009 regulations. The value of maintenance spares has been accordingly worked out.

(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 which has been considered for computing 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 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.

33. The necessary computations in support of interest on working capital are given as under:

	(₹ in lakh)				
	2009-10	2010-11	2011-12	2012-13	2013-14
Maintenance Spares	71.78	75.87	80.25	84.82	89.67
O & M expenses	39.88	42.15	44.58	47.12	49.81
Receivables	256.19	253.88	255.25	256.58	176.11
Total	367.85	371.90	380.08	388.53	315.59
Rate of Interest	12.25%	12.25%	12.25%	12.25%	12.25%
Interest on working capital	45.06	45.56	46.56	47.59	38.66

TRANSMISSION CHARGES

34. 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	585.64	585.64	592.39	599.14	117.75
Interest on Loan	343.15	301.50	266.10	229.10	204.28
Return on Equity	84.76	84.76	91.47	98.18	98.18
Interest on Working Capital	45.06	45.56	46.56	47.59	38.66
O & M Expenses	478.53	505.81	534.98	565.48	597.77
Total	1537.14	1523.26	1531.49	1539.50	1056.63

Application fee and the publication expenses

35. UPPCL has submitted that the filing fee should be governed by the Hon`ble Commission`s order dated 11.9.2008 in Petition No. 129/2005. It is clarified that the said decision was applicable to the tariff period 2004-09. However, Regulation 42 of the 2009 regulation provides for reimbursement of filing fees and expenses on publication of notices as may be allowed at the discretion of the Commission. We have decided the following in our order dated 11.1.2010 in Petition No. 109/2009:

"85. The Commission after careful consideration has decided that filing fee will be reimbursed in the following cases:

- (a) Main petitions for determination of tariff;*
- (b) Petitions for revisions of tariff due to additional capital expenditure.;*
- (c) Petitions for truing up of expenditure.*

Filing fees paid for filing the Review Petitions, Interlocutory Applications and other Miscellaneous Applications will not be reimbursed in tariff. The Commission has decided to reimburse the expenses on publication of notices as such expenses are incurred to meet the statutory requirement of transparency in the process of determination of tariff."

36. In accordance with the said decision, the petitioner shall be entitled to recover the filing fee from the beneficiaries on **pro rata** basis. The petitioner shall also be entitled for reimbursement of publication expenses from the beneficiaries on **pro-rata** basis.

Service Tax

37. The prayer of the petitioner for reimbursement of service tax if it is revised in future has been opposed by UPPCL. We have already decided in

our order dated 23.9.2010 in Petition No. 62/2009 that the petitioner is exempted from service tax as per the extant policy of the Government of India. As regards the reimbursement of service tax is imposed on the petitioner in future, the prayer is premature at this stage and if any application is made by the petitioner, the same will be dealt in accordance with law.

Licence fee

38. UPPCL has submitted that levy of licence fee is apparently not rational therefore, it should not be passed on to the consumers. In this regard, it is clarified that the matter is under consideration of the Commission and any decision on the issue as and when taken will be applicable to this petition.

39. 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.

40. This order disposes of Petition No. 285/2010.

Sd/-
(V.S.Verma)
Member

Sd/-
(S.Jayaraman)
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	Bond VI					
	Gross loan opening	121.00	121.00	121.00	121.00	121.00
	Cumulative Repayment up to DOCO/previous year	84.70	96.80	108.90	121.00	121.00
	Net Loan-Opening	36.30	24.20	12.10	0.00	0.00
	Additions during the year	0.00	0.00	0.00	0.00	0.00
	Repayment during the year	12.10	12.10	12.10	0.00	0.00
	Net Loan-Closing	24.20	12.10	0.00	0.00	0.00
	Average Loan	30.25	18.15	6.05	0.00	0.00
	Rate of Interest	13.13%	13.13%	13.13%	13.13%	13.13%
	Interest	3.97	2.38	0.79	0.00	0.00
	Repayment Schedule	10 Annual instalments from 6.12.2002				
2	Bond VII					
	Gross loan opening	534.00	534.00	534.00	534.00	534.00
	Cumulative Repayment up to DOCO/previous year	534.00	534.00	534.00	534.00	534.00
	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
	Repayment Schedule	5 Annual instalments from 4.8.2003				
3	Bond XI Option II					
	Gross loan opening	242.00	242.00	242.00	242.00	242.00
	Cumulative Repayment up to DOCO/previous year	242.00	242.00	242.00	242.00	242.00
	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
	Repayment Schedule	6 Annual instalments from 7.12.2003				
4	Bond XIII Option II					
	Gross loan opening	414.00	414.00	414.00	414.00	414.00
	Cumulative Repayment up to DOCO/previous year	414.00	414.00	414.00	414.00	414.00
	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
	Repayment Schedule	06 Annual instalments from 31.7.2003				
5	Corporation Bank					
	Gross loan opening	267.00	267.00	267.00	267.00	267.00
	Cumulative Repayment up to DOCO/previous year	146.85	173.55	200.25	226.95	253.65
	Net Loan-Opening	120.15	93.45	66.75	40.05	13.35
	Additions during the year	0.00	0.00	0.00	0.00	0.00
	Repayment during the year	26.70	26.70	26.70	26.70	13.35
	Net Loan-Closing	93.45	66.75	40.05	13.35	0.00
	Average Loan	106.80	80.10	53.40	26.70	6.67
	Rate of Interest	11.40%	11.40%	11.40%	11.40%	11.40%
	Interest	12.18	9.13	6.09	3.04	0.76
	Repayment Schedule	20 Half Yearly Instalments From 10.3.2004				
6	PNB					
	Gross loan opening	534.00	534.00	534.00	534.00	534.00
	Cumulative Repayment up to DOCO/previous year	320.40	373.80	427.20	480.60	534.00
	Net Loan-Opening	213.60	160.20	106.80	53.40	0.00
	Additions during the year	0.00	0.00	0.00	0.00	0.00
	Repayment during the year	53.40	53.40	53.40	53.40	0.00
	Net Loan-Closing	160.20	106.80	53.40	0.00	0.00
	Average Loan	186.90	133.50	80.10	26.70	0.00
	Rate of Interest	9.41%	9.41%	9.41%	9.41%	9.41%
	Interest	17.59	12.56	7.54	2.51	0.00
	Repayment Schedule	10 Annual instalments from 30.3.2004				
7	ADB-I					
	Gross loan opening	8461.17	8461.17	8461.17	8461.17	8461.17
	Cumulative Repayment up to DOCO/previous year	3708.61	4320.70	4995.53	5739.53	6559.80
	Net Loan-Opening	4752.56	4140.47	3465.64	2721.64	1901.37
	Additions during the year	0.00	0.00	0.00	0.00	0.00
	Repayment during the year	612.09	674.83	744.00	820.26	904.34
	Net Loan-Closing	4140.47	3465.64	2721.64	1901.37	997.03
	Average Loan	4446.52	3803.05	3093.64	2311.50	1449.20
	Rate of Interest	6.84%	6.84%	6.84%	6.84%	6.84%
	Interest	304.14	260.13	211.60	158.11	99.13
	Repayment Schedule	Half Yearly Instalments on 1st June and 1st December from 1.6.2004				
9	Bond XXXIII					
	Gross loan opening	0.00	0.00	179.06	179.06	179.06
	Cumulative Repayment up to DOCO/previous year	0.00	0.00	0.00	0.00	0.00
	Net Loan-Opening	0.00	0.00	179.06	179.06	179.06
	Additions during the year	0.00	179.06	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	179.06	179.06	179.06	179.06

Average Loan	0.00	89.53	179.06	179.06	179.06
Rate of Interest	8.64%	8.64%	8.64%	8.64%	8.64%
Interest	0.00	7.74	15.47	15.47	15.47
Repayment Schedule	Half yearly installment from 8.7.2014				
Total Loan					
Gross loan opening	10573.17	10573.17	10752.23	10752.23	10752.23
Cumulative Repayment up to DOCO/previous year	5450.56	6154.85	6921.88	7758.08	8658.45
Net Loan-Opening	5122.61	4418.32	3830.35	2994.15	2093.78
Additions during the year	0.00	179.06	0.00	0.00	0.00
Repayment during the year	704.29	767.03	836.20	900.36	917.69
Net Loan-Closing	4418.32	3830.35	2994.15	2093.78	1176.09
Average Loan	4770.47	4124.33	3412.25	2543.96	1634.94
Weighted Average Rate of Interest	7.0827%	7.0785%	7.0773%	7.0415%	7.0558%
Interest	337.88	291.94	241.49	179.13	115.36

