

**CENTRAL ELECTRICITY REGULATORY COMMISSION  
NEW DELHI**

**Petition No.244/2010**

**Coram:**

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

**DATE OF HEARING: 20.1.2011**

**DATE OF ORDER: 22.6.2011**

**In the matter of**

Determination of Transmission Tariff for Combined Asset: (i) 400 kV S/C Jalandhar-Amritsar line along with associated bays at Amritsar & Jalandhar, ICT-I along with associated bays at Amritsar sub-station & 220 kV Verpal feeder bays I & II at Amritsar sub-station, (ii) 315 MVA 400/220 kV ICT-II at Gorakhpur S/s along with associated bays (includes 2 No. 220 kV Line Bays) and (iii) LILO of Bawana-Bhiwani line along with associated bays at Bahadurgarh, 315 MVA ICT-I along with associated bays at Bahadurgarh Sub-station & 220 kV Nuna Majra Feeder Bays at Bahadurgarh S/s under Transmission System associated with system strengthening scheme (Formerly Tala Supplementary Scheme) in Northern Region for tariff block 2009-14 period.

**And**

**In the matter of**

Power Grid Corporation of India Ltd.,Gurgaon

**.... Petitioner**

Vs

1. Rajasthan Rajya Vidyut Prasaran Nigam Limited, Jaipur
2. Ajmer Vidyut Vitran Nigam Limited, Jaipur
3. Jaipur Vidyut Vitran Nigam Limited, Jaipur
4. Jodhpur Vidyut Vitran Nigam Limited, Jaipur
5. Himachal Pradesh State Electricity Board, Shimla
6. Punjab State Electricity Board, Patiala
7. Haryana Power Purchase Centre, Panchkula (Haryana)
8. Power Development Deptt., Jammu
9. Uttar Pradesh Power Corporation Ltd., Lucknow
10. Delhi Transco Ltd., New Delhi
11. BSES Yamuna Power Ltd., 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. Northern Central Railway, Allahabad
17. New Delhi Municipal Council, New Delhi

**.....Respondents**



**The following were present:**

1. Shri Rajeev Gupta, PGCIL
2. Shri M.M. Mondal, PGCIL

**ORDER**

The petition has been filed for determination of Transmission Tariff for Combined Asset: (i) 400 kV S/C Jalandhar-Amritsar line along with associated bays at Amritsar & Jalandhar, ICT-I along with associated bays at Amritsar sub-station & 220 kV Verpal feeder bays I & II at Amritsar sub-station, (ii) 315 MVA 400/220 kV ICT-II at Gorakhpur Sub-station along with associated bays (includes 2 No. 220 kV Line Bays) and (iii) LILO of Bawana-Bhiwani line along with associated bays at Bahadurgarh, 315 MVA ICT-I along with associated bays at Bahadurgarh Sub-station & 220 kV Nuna Majra Feeder Bays at Bahadurgarh Sub-station under Transmission system associated with System Strengthening Scheme (Formerly Tala Supplementary Scheme) in Northern Region for tariff block 2009-14 period, 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) Invoke the provision of Clause- 44 (Power to Relax) of Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2009, for relaxation of Clause-9(2), Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2009 so that the additional capitalisation incurred/ to be incurred on account of Undischarged liabilities



after the cut-off date is allowed and considered for tariff fixation for the period 2009-14 block.

- (b) Allow 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.;
- (c) Approve the reimbursement of expenditure by the beneficiaries towards petition filing fee, and publishing of notices in newspapers in terms of Regulation 42 of Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2009, and other expenditure (if any) in relation to the filing of petition;
- (d) Allow the petitioner to bill and recover Service Tax on transmission charges separately from the respondents, if at any time exemption from service tax is withdrawn and transmission is notified as a taxable service;
- (e) Allow the petitioner to bill and recover Licensee fee separately from the respondents.

2. The investment approval for the transmission scheme was accorded by the Board of Directors of the petitioner company vide its Memorandum dated



25.2.2003 at an estimated cost of ₹ 14329 lakh, which included IDC of ₹ 1761 lakh. Subsequently, the approval for the revised cost estimate for the scheme was accorded by the Board of Directors vide its Memorandum dated 7.12.2007 at an estimated cost of ₹ 15408 lakh, including IDC of ₹ 1232 lakh. The Notional DOCO for all three assets under this petition is 1/11/2006. The annual transmission charges for the transmission assets were approved by the Commission vide its order dated 19.5.2008 in Petition No. 133/2007 and were revised vide order dated 23.7.2009 in Petition No. 74/2009. The transmission charges for the assets were subsequently revised by the Commission vide its order dated 16.3.2010 in Petition No. 272/2009 due to additional capital expenditure incurred during 2008-09 for System Strengthening Scheme.

3. The petitioner has claimed the transmission charges during 2009-14 as under:

	(₹ in lakh)				
	2009-10	2010-11	2011-12	2012-13	2013-14
Depreciation	755.51	756.34	757.23	757.63	757.63
Interest on Loan	792.01	729.28	665.64	600.74	535.03
Return on Equity	800.09	801.40	802.79	803.43	803.43
Interest on Working Capital	85.40	86.22	87.15	88.15	89.24
O & M Expenses	729.07	770.79	814.92	861.49	910.75
<b>Total</b>	<b>3162.08</b>	<b>3144.03</b>	<b>3127.73</b>	<b>3111.44</b>	<b>3096.08</b>

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	109.36	115.62	122.24	129.22	136.61
O & M expenses	60.76	64.23	67.91	71.79	75.90
Receivables	527.01	524.01	521.29	518.57	516.01
<b>Total</b>	<b>697.13</b>	<b>703.86</b>	<b>711.44</b>	<b>719.58</b>	<b>728.52</b>
<b>Interest</b>	<b>85.40</b>	<b>86.22</b>	<b>87.15</b>	<b>88.15</b>	<b>89.24</b>
Rate of Interest	12.25%	12.25%	12.25%	12.25%	12.25%



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. Punjab State Power Corporation Limited, successor of Punjab State Electricity Board, respondent no. 6 and Uttar Pradesh Power Corporation Limited (UPPCL), Respondent No. 9 has filed their replies to the petition and the petitioner has also filed its rejoinder to the reply of UPPCL. UPPCL made the following submissions:-

- (a) As regards the petitioner's submissions to approach the Commission for revision of norms of O & M, if the impact of wage hike is more than 50%, UPPCL has submitted that once the normative parameters have been defined, the question of considering 'actuals' does not arise. In case 'actuals' are to be considered, the whole tariff needs to be based on 'actuals' and the Regulations need to be re-written. The regulations have been framed after detailed consultation, discussion and public hearing and its sanctity should be maintained.
- (b) The petitioner's claim for additional capitalisation amounting to ₹ 74.09, but has not been supported by documents giving details of sub-station and transmission lines, the exact reason for deferment of payment and certificate of statutory auditor to that effect.



- (c) Section 80-1A of Income Tax Act, 1961 provides for 100% deduction in respect of profits for 10 consecutive years in respect of an undertaking which starts transmission during 1.4.1999 to 31.3.2011. The date of commercial operation of the asset is 1.1.2006 and hence no tax is leviable on the asset and grossing up of base rate of return with equity does not arise.
- (d) The UPPCL has submitted that the onus of the license fee is of the licensee and therefore there is no justification of passing over its burden to the consumers.
- (e) That the prayer of the petitioner for reimbursement of service tax is not tenable in view of the notification no. 11/2010 – Service Tax dated 27.2.2010 and 45/2010 – Service Tax dated 20.7.2010 and the order of the Commission dated 23.9.2010 in Petition no. 62/2009.

6. The Punjab State Power Corporation Limited (PSPCL), the successor of PSEB has filed its reply, vide affidavit dated 15.3.2011, stating that O&M expenses may be allowed only as per 2009 regulations and the petitioner should disclose the actual additional capital incurred during 2009-10 and 2010-11.

7. The petitioner in its rejoinder to the reply filed by UPPCL, vide affidavit dated 9.2.2011, has clarified its position on the above points as under:-



- (a) The petitioner has submitted that per km and per Bay O & M rates considered in the present petition are based on the 2009 regulations. For the purpose of framing tariff regulations for period 2009-14 by the Commission, the petitioner has furnished the actual O & M cost, Line and Bay details, of the period 2004-05 to 2007-08 without taking into account expected manpower cost implications on account of wage revision. The Commission has considered certain percentage in the wage hike while stipulating the norms for O&M expenses. The impact of wage revision is being assessed.
- (b) The transmission system work has been completed physically and the additional capital expenditure of ₹ 79.09 lakh for the years 2009-10, 2010-11 and 2011-12 for building and civil works have been projected towards the retention payment to contractors. It has been submitted that the said amount is on account of closing of contract, which is part of the committed liabilities within the original scope of work. Accordingly, this expenditure has been included in the project expenditure which will be trued up as on 31.3.2014 and no 'Auditor Certificate' is required.
- (c) As regards the benefit U/s 80 1A of Income Tax Act, 1961, the petitioner has filed income tax return up to financial year 2008-09 but has not been able to exercise the option of Tax Holiday as per section 80 1A of Income Tax as there was no taxable profit as per the Income Tax Act. In the absence of taxable profit, Minimum Alternate Tax is being paid as per the provisions of Section 115 JB of



the Income Tax Act, 1961. In the Income Tax return for the Financial Year 2009-10, the benefit of tax holding has been claimed and the same has been informed to the respondent vide letter dated 15.10.2010. It has been further submitted that the benefits of tax holiday under section 80 1A would be eligible to the provision only when actual reimbursement of income tax under post-tax system of ROE as was applicable for the tariff block 2004-09, is allowed by the Commission.

(d) The payment towards license fee is not represented in the actual O & M expenses and it is an extra cost on the petitioner and therefore, this burden needs to be reimbursed.

(e) The petitioner submitted that the transmission charges claimed is exclusive of service tax and the same would be charged and billed separately by the petitioner in case the exemption is withdrawn in future.

8. The respondent has filed a statement to the petitioner's rejoinder, vide affidavit dated 28.2.2011, in which its objections have been reiterated.

9. The issues raised by UPPCL in its reply dated 12.1.2011 and 28.2.2011 and PSPCL in its reply dated 15.3.2011 have been considered at the relevant places in the order.





10. Having heard the parties and on perusal of material on record, we proceed to determine the tariff of the transmission line in the succeeding paragraphs.

### **CAPITAL COST**

11. Last proviso to clause (2) of Regulation 7 of the 2009 regulations provides as under:

*“Provided also that in case of the existing projects, the 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.”*

12. The Commission determined the transmission charges for Asset I and Asset III vide order dated 16.03.2010 in petition no. 272/2009 Asset II vide letter dated 23.7.2009 in petition no. 74/2009. Accordingly, capital expenditure of ₹ 15245.93 lakh as on 1.4.2009 has been considered for tariff determination during 2009-14 period.

### **ADDITIONAL CAPITAL EXPENDITURE**

13. The petitioner has claimed additional capital expenditure of ₹ 20.95 lakh, ₹ 28.89 lakh and ₹ 24.25 lakhs during the years 2009-10, 2010-11 and 2011-12 towards balance expenditure on Building and Civil works. The petitioner has submitted the assets were declared under commercial operation during 2004-09, wherein the additional capitalization after cut-off dates on account of deferred liabilities was allowed as per regulation 53(2) of CERC Tariff Regulations, 2004. The expenditure is within the original scope of work but, due to the contractual exigencies and other reasons beyond the control of the petitioner, the petitioner was required to make provisions for release of balance/retention payment beyond 2008-09. Since, clause 2 of Regulation 9 of



2009 regulations does not provide for such undischarged liabilities as part of additional capitalization after cut-off date the Petitioner has sought relaxation of Regulation 9 (2) of 2009 regulations by invoking the power of the Commission under Regulation 44 of the 2009 regulations.

14. The Commission, in the order dated 8.2.2011 in Petition no. 176/2010 has decided to relax the provision of Regulation 9(2) of 2009 regulations to allow expenditure incurred / projected to be incurred after the cut-off date, particularly the expenditure an account of balance and retention payments. Accordingly, the additional capitalisation of ₹ 74.09 lakh on account of balance and retention payment has been allowed.

15. In light of the above, projected ACE for 2009-10, 2010-11 and 2011-12 is being considered for working out the tariff during 2009-14 period.

(₹ in lakh)

Asset	Apportioned Approved Cost (RCE)	Admitted Capital Cost As on 31.03.2009	Projected Add-Cap			Total Capital Cost
			2009-10	2010-11	2011-12	
<b>Asset-1</b>	8091.00	8259.69	15.88	4.64	0.00	8280.21
<b>Asset-2</b>	1301.00	1219.51	0.00	0.00	0.00	1219.51
<b>Asset-3</b>	6016.00	5766.73	5.07	24.25	24.25	5820.30
<b>Total</b>	<b>15408.00</b>	<b>15245.93</b>	<b>20.95</b>	<b>28.89</b>	<b>24.25</b>	<b>15320.02</b>

16. The category wise break-up of additional capital expenditure for tariff period 2009-14 is as under:

Name of the Asset	Year	Nature	Amount	Details of Expenditure
<b>Asset-1</b>	2009-10	Building & Civil works	15.88	Balance payment
	2010-11	Building & Civil works	4.64	Balance payment
<b>Asset-3</b>	2009-10	Building & Civil works	5.07	Balance payment
	2010-11	Building & Civil works	24.25	Balance payment
	2011-12	Building & Civil works	24.25	Balance payment

17. The projected additional capitalisation for Asset-I and Asset-III for the period 2009-14 is ₹ 20.52 and ₹ 53.57 lakh respectively and these have been considered in the calculations.

**DEBT- EQUITY RATIO**

18. Clause (2) of Regulation 12 of the 2009 regulations provides as under:-

*“(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.”*

19. The petitioner has claimed tariff based on debt-equity ratio of 70:30 as admitted as on 31.3.2009. The debt equity of the transmission asset as on 31.3.2009 as per the approved debt equity ratio works out as under:

(₹ in lakh)

Asset 1	As admitted on 31.03.2009	
	Amount (₹ lakh)	%
Debt	10672.15	70.00
Equity	4573.78	30.00
<b>Total</b>	<b>15245.93</b>	<b>100</b>

20. Therefore, debt-equity ratio of 70.00:30.00 as above has been considered for tariff calculations. Details of normative debt- equity for Add-Cap claimed by the petitioner are given overleaf:

(₹ in lakh)

2009-10	Normative	
	Amount (₹ lakh)	%
Debt	14.67	70.00
Equity	6.28	30.00
<b>Total</b>	<b>20.95</b>	<b>100.00</b>
2010-11	Normative	
	Amount (₹ lakh)	%
Debt	20.22	70.00
Equity	8.67	30.00
<b>Total</b>	<b>28.89</b>	<b>100.00</b>
2010-11	Normative	
	Amount (₹ lakh)	%
Debt	16.97	70.00
Equity	7.28	30.00
<b>Total</b>	<b>24.25</b>	<b>100.00</b>



## RETURN ON EQUITY

21. Regulation 15 of the 2009 regulations provides as under:

*"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 tried 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. 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 @ 17.481%.

23. The Petitioner has prayed for grossing up of base rate of return with MAT rate as per the applicable Finance Act. UPPCL has opposed the prayer of the petitioner.

24. The Commission vide its order dated 3.8.2010 in Petition No. 17/2010 has already 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 liability between the generating company/transmission licensee and the beneficiaries/long term transmission customers on year to year basis. The process of amendment to the 2009 regulations is under way and will address the concern of the petitioner with regard to the MAT rate.

25. The ROE for all three Assets works out to ₹ 800.09 lakh for 2009-10, ₹ 801.40 lakh for 2010-11, ₹ 802.79 lakh for 2011-12 and ₹ 803.43 lakh for 2012-14 period.

### **INTEREST ON LOAN**

26. 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.”*

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

- (a) 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 16.3.2010 in petition no: 272/2009 for asset I & III and order dated 23.7.2009 in petition no. 74/2009 for Asset II for working out weighted average rate of interest.
- (b) Tariff is worked out considering normative loan and normative repayments. Depreciation allowed has been taken as normative repayment for the tariff period 2009-14.
- (c) Weighted average rate of interest on actual loan worked out as above has been applied on the notional average loan during the year to arrive at the interest on loan.

28. Based on the above, Interest on loan has been worked out for the period 2009-14 as given below:



(₹ in lakh)

	2009-10	2010-11	2011-12	2012-13	2013-14
Gross Normative Loan	10672.15	10686.82	10707.04	10724.01	10724.01
Cumulative Repayment up to Previous Year	1181.36	1936.87	2693.21	3450.44	4208.07
Net Loan-Opening	9490.79	8749.95	8013.83	7273.57	6515.94
Addition due to Additional Capitalization	14.67	20.22	16.98	0.00	0.00
Repayment during the year	755.51	756.34	757.23	757.63	757.63
Net Loan-Closing	8749.95	8013.83	7273.57	6515.94	5758.31
Average Loan	9120.37	8381.89	7643.70	6894.76	6137.12
Weighted Average Rate of Interest on Loan	8.6839%	8.7007%	8.7083%	8.7130%	8.7179%
<b>Interest</b>	<b>792.01</b>	<b>729.28</b>	<b>665.64</b>	<b>600.74</b>	<b>535.03</b>

## **DEPRECIATION**

29. 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.*

*Provided that in case of hydro generating stations, the salvage value shall be as provided in the agreement signed by the developers with the State Government for creation of the site:*

*Provided further that the capital cost of the assets of the hydro generating station for the purpose of computation of depreciable value shall correspond to the percentage of sale of electricity under long-term power purchase agreement at regulated tariff.*

*(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.”*



30. The Notional DOCO for all three assets covered in the petition is 1.11.2006, and accordingly will complete 12 years beyond 2013-14 and therefore depreciation during the tariff block has been calculated as per straight line method and rates as specified in Appendix-III of the 2009 regulations.

31. For the period 1.4.2009 to 31.3.2014 the depreciation of the transmission assets has been worked out as given overleaf:

(₹ 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.	15245.93	15245.93	15266.88	15295.77	15320.02	15320.02
Addition during 2009-14 due to projected Additional Capital Expenditure		20.95	28.89	24.25	0.00	0.00
Gross block as on 31.3.2009		15266.88	15295.77	15320.02	15320.02	15320.02
Average gross block		15256.41	15281.33	15307.90	15320.02	15320.02
Rate of Depreciation		4.9521%	4.9494%	4.9467%	4.9454%	4.9454%
Depreciable Value		13416.36	13438.79	13462.70	13473.61	13473.61
Remaining Depreciable Value		12235.00	11501.92	10769.49	10023.17	9265.54
<b>Depreciation</b>		<b>755.51</b>	<b>756.34</b>	<b>757.23</b>	<b>757.63</b>	<b>757.63</b>
Cumulative Depreciation/ Advance against Depreciation		0.00	0.00	0.00	0.00	0.00
Addition due to Additional Capitalisation		0.00	0.00	0.00	0.00	0.00
Cumulative Depreciation/ Advance against Depreciation		1936.87	2693.21	3450.44	4208.07	4965.71

### **OPERATION & MAINTENANCE EXPENSES**

32. The operation and maintenance norms specified in clause (g) of Regulation 19 of the 2009 regulations are given under:

Transmission Line/Bays:	(₹ in lakh)				
	Year				
	2009-10	2010-11	2011-12	2012-13	2013-14
400 kV D/C (twin conductor transmission) line (₹ in lakh/per kms.)	0.627	0.663	0.701	0.741	0.783





400 kV S/C(twin conductor transmission) line ( in lakh/per kms.)	0.358	0.378	0.400	0.423	0.447
400 KV bay (₹lakh/bay)	52.40	55.40	58.57	61.92	65.46
220 KV bay (₹ lakh/bay)	36.68	38.78	41.00	43.34	45.82

33. The petitioner has claimed O & M expenses for 59.708 Kms., 400 KV Single Circuit, twin conductor transmission line, 17.189 km., 400 kV Double Circuit, twin conductor transmission line, 7 nos. of 400 KV bays and 9 nos. of 220 KV bays. Accordingly, the petitioner's entitlement to O & M expenses has been worked out as under:

	(₹ in lakh)				
	Year				
	2009-10	2010-11	2011-12	2012-13	2013-14
33.583 Kms., 400 KV Single Circuit, twin conductor transmission line	21.38	22.57	23.88	25.26	26.69
17.189 Kms., 400 KV Double Circuit, twin conductor transmission line	10.78	11.40	12.05	12.74	13.46
7 nos. 400 KV bays	366.80	387.80	409.99	433.44	458.22
9 nos. 200 KV bays	330.12	349.02	369.00	390.06	412.38
<b>Total</b>	<b>729.07</b>	<b>770.79</b>	<b>814.92</b>	<b>861.49</b>	<b>910.75</b>

34. 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%. UPPCL has opposed the claim of the petitioner on the ground that 2009 regulations do not have any provision for revision of O&M expenses. It is clarified that any application filed by the petitioner for revision of O&M norms on account of pay revision will be dealt with in accordance with law.

### **INTEREST ON WORKING CAPITAL**

35. 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 fixed cost. The petitioner has claimed the receivables on the basis two months transmission charges claimed in the petition. In the tariff being allowed, receivables have been worked out on the basis two 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.

**(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 one month of O&M expenses of the respective year which 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.

36. The necessary computations in support of interest on working capital is given below:

	(₹ in lakh)				
	2009-10	2010-11	2011-12	2012-13	2013-14
Maintenance Spares	109.36	115.62	122.24	129.22	136.61
O & M expenses	60.76	64.23	67.91	71.79	75.90
Receivables	527.01	524.01	521.29	518.57	516.01
<b>Total</b>	<b>697.13</b>	<b>703.86</b>	<b>711.44</b>	<b>719.59</b>	<b>728.52</b>
<b>Interest</b>	<b>85.40</b>	<b>86.22</b>	<b>87.15</b>	<b>88.15</b>	<b>89.24</b>
Rate of Interest	12.25%	12.25%	12.25%	12.25%	12.25%

### **TRANSMISSION CHARGES**

37. 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	755.51	756.34	757.23	757.63	757.63
Interest on Loan	792.01	729.28	665.64	600.74	535.03
Return on Equity	800.09	801.40	802.79	803.43	803.43
Interest on Working Capital	85.40	86.22	87.15	88.15	89.24
O & M Expenses	729.07	770.79	814.92	861.49	910.75
<b>Total</b>	<b>3162.07</b>	<b>3144.04</b>	<b>3127.73</b>	<b>3111.44</b>	<b>3096.09</b>

### **APPLICATION FEE AND THE PUBLICATION EXPENSES**

38. 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.



## **SERVICE TAX**

39. The petitioner has prayed for reimbursement of service tax if it is subjected such tax in future. 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 if it is imposed on the petitioner in future, the prayer is premature at this stage and if any application is made by the petitioner in connection with service tax, the same will be dealt with in accordance with law.

## **LICENCE FEE**

40. The petitioner has submitted that licence fee has been a new component of cost to the transmission licence and has become incidental to the petitioner since 2008-09. The cost accounted with licence fee has not been captured in the 2009 regulations. UPPCL in its reply has submitted that licence fee being the onus of licensee should not be passed over to the beneficiaries. In this connection it is clarified that the matter is under consideration and decision as and when taken will be applicable in this case.

41. 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.

42. This order disposes of Petition No. 244/2010.

**Sd/-**  
**(M.DEENA DAYALAN)**  
**MEMBER**

**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
<b>1</b>	<b>Bond XVIII</b>					
	Gross loan opening	5321.00	<b>5321.00</b>	<b>5321.00</b>	<b>5321.00</b>	<b>5321.00</b>
	Cumulative Repayment upto DOCO/previous year	0.00	<b>443.42</b>	<b>886.84</b>	<b>1330.26</b>	<b>1773.68</b>
	Net Loan-Opening	5321.00	4877.58	4434.16	3990.74	3547.32
	Additions during the year	0.00	0.00	0.00	0.00	0.00
	Repayment during the year	443.42	443.42	443.42	443.42	443.42
	Net Loan-Closing	4877.58	4434.16	3990.74	3547.32	3103.90
	Average Loan	5099.29	4655.87	4212.45	3769.03	3325.61
	Rate of Interest	8.15%	8.15%	8.15%	8.15%	8.15%
	Interest	415.59	379.45	343.31	307.18	271.04
	Rep Schedule	12 Annual Installments from 09.03.2010				
<b>2</b>	<b>Bond XIX</b>					
	Gross loan opening	3200.00	<b>3200.00</b>	<b>3200.00</b>	<b>3200.00</b>	<b>3200.00</b>
	Cumulative Repayment upto DOCO/previous year	0.00	<b>0.00</b>	<b>266.67</b>	<b>533.34</b>	<b>800.01</b>
	Net Loan-Opening	3200.00	3200.00	2933.33	2666.66	2399.99
	Additions during the year	0.00	0.00	0.00	0.00	0.00
	Repayment during the year	0.00	266.67	266.67	266.67	266.67
	Net Loan-Closing	3200.00	2933.33	2666.66	2399.99	2133.32
	Average Loan	3200.00	3066.67	2800.00	2533.33	2266.66
	Rate of Interest	9.25%	9.25%	9.25%	9.25%	9.25%
	Interest	296.00	283.67	259.00	234.33	209.67
	Rep Schedule	12 Annual Installments from 24.07.2010				
<b>3</b>	<b>Bond-XXI</b>					
	Gross loan opening	675.00	<b>675.00</b>	<b>675.00</b>	<b>675.00</b>	<b>675.00</b>
	Cumulative Repayment upto DOCO/previous year	0.00	<b>0.00</b>	<b>56.25</b>	<b>112.50</b>	<b>168.75</b>
	Net Loan-Opening	675.00	675.00	618.75	562.50	506.25
	Additions during the year	0.00	0.00	0.00	0.00	0.00
	Repayment during the year	0.00	56.25	56.25	56.25	56.25
	Net Loan-Closing	675.00	618.75	562.50	506.25	450.00
	Average Loan	675.00	646.88	590.63	534.38	478.13
	Rate of Interest	8.73%	8.73%	8.73%	8.73%	8.73%
	Interest	58.93	56.47	51.56	46.65	41.74
	Rep Schedule	12 Annual Installments from 11.10.2010				
<b>4</b>	<b>Bond-XXVII</b>					
	Gross loan opening	935.53	<b>935.53</b>	<b>935.53</b>	<b>935.53</b>	<b>935.53</b>
	Cumulative Repayment upto DOCO/previous year	0.00	<b>0.00</b>	<b>0.00</b>	<b>77.96</b>	<b>155.92</b>
	Net Loan-Opening	935.53	935.53	935.53	857.57	779.61
	Additions during the year	0.00	0.00	0.00	0.00	0.00
	Repayment during the year	0.00	0.00	77.96	77.96	77.96
	Net Loan-Closing	935.53	935.53	857.57	779.61	701.65



	Average Loan	935.53	935.53	896.55	818.59	740.63
	Rate of Interest	9.47%	9.47%	9.47%	9.47%	9.47%
	Interest	88.59	88.59	84.90	77.52	70.14
	Rep Schedule	12 Annual Installments from 31.03.2012				
<b>5</b>	<b>Bond-XXVIII</b>					
	Gross loan opening	223.98	<b>223.98</b>	<b>223.98</b>	<b>223.98</b>	<b>223.98</b>
	Cumulative Repayment upto DOCO/previous year	0.00	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>18.66</b>
	Net Loan-Opening	223.98	223.98	223.98	223.98	205.32
	Additions during the year	0.00	0.00	0.00	0.00	0.00
	Repayment during the year	0.00	0.00	0.00	18.66	18.66
	Net Loan-Closing	223.98	223.98	223.98	205.32	186.66
	Average Loan	223.98	223.98	223.98	214.65	195.99
	Rate of Interest	9.33%	9.33%	9.33%	9.33%	9.33%
	Interest	20.90	20.90	20.90	20.03	18.29
	Rep Schedule	12 Annual Installments from 15.12.2012				
	<b>Total Loan</b>					
	Gross loan opening	10355.51	10355.51	10355.51	10355.51	10355.51
	Cumulative Repayment upto DOCO/previous year	0.00	443.42	1209.76	2054.06	2917.02
	Net Loan-Opening	10355.51	9912.09	9145.75	8301.45	7438.49
	Additions during the year	0.00	0.00	0.00	0.00	0.00
	Repayment during the year	443.42	766.34	844.30	862.96	862.96
	Net Loan-Closing	9912.09	9145.75	8301.45	7438.49	6575.53
	Average Loan	10133.80	9528.92	8723.60	7869.97	7007.01
	<b>Weighted Average Rate of Interest</b>	<b>8.6839%</b>	<b>8.7007%</b>	<b>8.7083%</b>	<b>8.7130%</b>	<b>8.7179%</b>
	<b>Interest</b>	880.01	829.08	759.68	685.71	610.87

