

**CENTRAL ELECTRICITY REGULATORY COMMISSION  
NEW DELHI**

**Petition No. 197/2010**

**Coram: Shri V.S.Verma, Member  
Shri M.Deena Dayalan, Member**

**Date of Hearing: 23.11.2010**

**Date of Order: 1.6.2011**

**In the matter of:**

Approval under Regulation 86 of Central Electricity Regulatory Commission (conduct of business) Regulations' 1999 and Central Electricity Regulatory Commission (Terms & Conditions of tariff) Regulations' 2009 for determination of transmission tariff for the Transmission System associated with Doyang HEP in North Eastern Region from 1.4.2009 to 31.3.2014.

**And**

**In the matter of:**

PowerGrid Corporation of India Ltd.

.....**Petitioner**

**Vs**

1. Assam State Electricity Board, Guwahati
2. Meghalaya Energy Corporation Ltd., Shillong
3. Government of Arunachal Pradesh, Itanagar
4. Power and Electricity Department, Govt., of Mizoram, Aizwal
5. Electricity Department, Govt. of Manipur, Imphal
6. Department of Power, Govt. of Nagaland, Kohima
7. Tripura State Electricity Corporation Ltd., Agartala

... **Respondents**

**The following were present:**

1. Shri U. K. Tyagi, PGCIL
2. Shri R. Prasad, PGCIL
3. Shri. M. M. Mondal, PGCIL
4. Shri A. K. Datta, Advocate
5. Shri R. Gupta, PGCIL
6. Shri. M M Sharma, ASEB
7. Shri R. Kapoor, ASEB



## ORDER

This petition has been filed seeking approval of transmission tariff in respect of 220kV D/C Dimapur-Misa TL, LILO 220 kV D/C Kopili-Samaguri TL and LILO 132KV D/C Mariani-Dimapur Transmission Line (hereinafter referred to as “Asset-I”) and 132 kV D/C Doyang-Dimapur T/L and 132 kV S/C Dimapur-Imphal Transmission line with associated bays (hereinafter referred to hereinafter as Asset-II) associated with Doyang HEP (both the assets collectively referred to as “the transmission assets”) in North Eastern region for the period 2009-14 based on the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2009, (hereinafter referred to as “the 2009 regulations”). The petitioner has also sought the following reliefs:

(a) To invoke the provisions of regulation 44 (power to relax) of the 2009 regulations, to 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.

(b) Allow the petitioner, in case of the assets being combined, to calculate the transmission charges to recover full depreciation (90% of the gross block) of the assets during the useful life (25 years for S/S and 35 years for Transmission lines) reckoning from the actual date of commissioning and permit the petitioner to treat the recovery of

depreciation after achieving the useful life by an asset in accordance with para 6.3 of the petition.

(c) Approve reimbursement of expenditure towards petition filling fee and publishing of notices in newspapers in terms of regulation 42 of the 2009 regulations and other expenditure (if any) in relating to filling of petition.

(d) Allow the petitioner to bill and recover Service Tax on transmission charges separately from the respondents if the petitioner is subjected to such a tax.

(e) Allow the petitioner to bill and recover Licensee fee separately from the respondents

(f) Pass such other relief as Hon'ble Commission deems fit and appropriate under the circumstances of the case and in the interest of justice.

2. Transmission charges for the period 2004-2009 were initially approved by the Commission vide its order dated 21.8.2009 in petition No. 89/2006. Subsequently, the petitioner filed Petition No. 196/2010 seeking approval for revision of tariff consequent to replacement of Government of India Loan by LIC – III loan during the financial year 2007-08. Apparently, the above stated conversion of loan has necessitated revision of tariff for the period 2007-08

and 2008-09 only. Petition No. 196/2010 was disposed of vide order dated 30.5.2011.

3. The petitioner has claimed the following transmission charges:

**(₹ in lakh)**

	2009-10	2010-11	2011-12	2012-13	2013-14
Depreciation	211.88	211.88	211.88	211.88	211.88
Interest on Loan	164.91	143.72	122.53	101.34	80.16
Return on equity	705.97	705.97	705.97	705.97	705.97
Interest on Working Capital	55.29	56.72	58.26	59.92	61.69
O & M Expenses	654.26	691.59	731.32	773.20	817.37
<b>Total</b>	<b>1792.31</b>	<b>1809.88</b>	<b>1829.96</b>	<b>1852.31</b>	<b>1877.07</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	98.14	103.74	109.70	115.98	122.61
O & M expenses	54.52	57.63	60.94	64.43	68.11
Receivables	298.72	301.65	304.99	308.72	312.85
<b>Total</b>	<b>451.38</b>	<b>463.02</b>	<b>475.63</b>	<b>489.13</b>	<b>503.57</b>
Interest	55.29	56.72	58.26	59.92	61.69
Rate of Interest	12.25%	12.25%	12.25%	12.25%	12.25%

5. Reply to the petition has not been filed by any of the respondents. In the Record of Proceedings for the hearing held on 23.11.2010, the Commission directed ASEB to file its reply, if any, by 10.12.2010 with advance copy to the petitioner. ASEB has not filed any reply in response to Petition No. 197/2010 pertaining to the tariff for the period 2009-14. Only the consumer respondent *Ms. Mallika Sharma Bezbaruah*, has filed a combined reply to petition Nos. 196/2010 and 197/2010 pertaining to the tariff period 2004-09 and 2009-14.

6. The consumer respondent in its reply has submitted the following:
- (a) The ARR petitions filed before the Commission should have been published in the newspaper to inform the stakeholders with adequate time for suitable response from the stakeholders. Without publishing in the newspaper, the petition was put on the website of the petitioner. Though the petition was filed in July 2010, the consumer respondent came to know about the petition only in second week of November 2010 and had little time to scrutinise the petition and file its response.
  - (b) The petitioner has asked for additional tariff on account of revision of pay of its employees. The Commission has considered such enhancement in the O&M expenses based on the actual O&M expenses till 2006-07 and has further enhanced it by 50% to absorb employee cost on account of pay revision. Since the pay revision has not been done for the past three and half years, the Commission can do the prudence check in the truing up exercise.
  - (c) The Commission approved the cost of Asset-I and Asset-II vide order dated 21.8.2009 in Petition No. 89/2006. The stakeholders had pointed out that the petitioner manipulated the date of commercial operation of these assets and extended the time period to include huge expenditure. Such expenses on the extended period should have been absorbed by the petitioner instead of passing it on to the stakeholders.

The additional capital expenditure has increased the capital cost substantially and the stakeholders have been burdened unnecessarily.

(d) The petitioner submitted inflated cost before the Commission for purpose of tariff determination in the Tariff Regulation for 2009-14. The Annual Financial Statements submitted to the Commission under affidavit does not match with the annual audited reports published alongwith the Annual Reports.

(e) The petitioner has not submitted the true up exercise alongwith the ARR. Since the true up exercise will show the actual expenses vis-a-vis the ARR subject to prudence check to eliminate bad expenses/inadmissible expenses, true up exercise is a mandatory requirement and cannot be allowed to be a different exercise.

(f) The petitioner has not said anything about its other business apart from the transmission business. According to the provisions of the Act, the transmission licensee is to maintain separate account for each of their business and income derived from such business shall be utilised for reduction in tariff. The petitioner may be directed by the Commission to submit such details for truing up for the MYT 2004-09 alongwith the tariff petition.

(g) There are errors apparent in the approved order dated 21.8.2009 in Petition No.89/2006. The petitioner may be directed to file the true up

petition alongwith the audited annual financial statements. The consumer respondent has submitted that the error in calculation needs to be corrected and can only be effectively done through a prudence check of the true up exercise as per the legal provisions. The consumer respondent has also submitted its own working of tariff for the period 2004-09 in respect of Assets I and II.

(h) As regards reimbursement of licence fee, it has been submitted that without payment of licence fee the petitioner will not be able to do business. If the licence fee is borne by the beneficiaries, then the beneficiaries will be the licensee and not the petitioner. It has been submitted that the claim may be rejected outright.

7. The petitioner in its rejoinder has submitted the following:

(a) The petition has been filed in accordance with the Central Electricity Regulatory Commission (Procedure for Making of application for determination of tariff, publication of applications and other related matters) Regulations, 2004 and the notice was published on 19.7.2010.

(b) As regards the O&M expenses, the petitioner has submitted that for fixation of norms for O&M in 2009 regulations, it had furnished the data for the period 2003-04 to 2007-08 without taking into account the expected manpower cost implication on account of wage revision. However, the Commission had considered certain

percentage in the wage hike to stipulate the norms for 2009-10. The petitioner intends to approach the Commission for manpower cost on account of pay revision if the amount exceeds 50%.

- (c) The petitioner has submitted that the Commission in its order dated 21.8.2009 in Petition No. 89/2006 has already deliberated and finalized the capital cost pertaining to Asset-I and Asset-II of the transmission system and the issues have been closed.
- (d) As regards the allegation regarding Annual Financial Statement of the petitioner's company, the petitioner has submitted that its Annual Report is subject to periodical audit by statutory auditors and govt. auditors under CAG and, therefore, the allegation is baseless.
- (e) The petitioner has submitted that as per Regulation 6 of 2009 regulations, the Commission shall carry out truing up exercise along with the tariff petition filed for the next period. However, since there is no additional or projected capital expenditure during 2009-14 in respect of the transmission system, the truing up exercise is not required in this case.
- (f) As regards the other business, the petitioner has apprised to the Commission regarding the telecom business and is sharing the revenue with the respondents in accordance with the Central Electricity Regulatory Commission (Sharing of revenue derived from

utilization of transmission assets for other business) Regulations, 2007 derived from utilization of transmission assets from other business.

(g) As regards error in the order dated 21.8.2009 in Petition No. 89/2006, the petitioner has submitted that the said order has been issued by the Commission after detailed deliberation on the various issues and the elements of tariff have been determined strictly in accordance with the tariff regulations applicable for the period 2004-09. Redressal against the said order is required to be sought in accordance with the relevant regulations of the Commissions.

(h) As regards the licence fee, it has been submitted that licence fee is not represented in the O&M expenses allowed to the petitioner and is an extra cost which needs to be reimbursed.

8. We have carefully considered the objections of the Consumer Respondent and the reply of the petitioner to the objections. The petitioner has in its submissions explained most of the issues raised by the consumer respondent. The tariff of the transmission system covered under the petition is being determined as per the provisions of 2009 regulations after carrying out prudence check. Regulation 6 of the 2009 regulations provides for truing up of expenditure alongwith the tariff petitions filed for the next period. The grievances of the consumer respondent will be taken care of at the time of truing up to the extent permissible under the 2009 regulations. As regards the

additional claim on account of pay revision in O&M expenses, it is clarified that if any such claim is made by the petitioner on account of pay revision, the same shall be dealt with in accordance with law. As regards the reimbursement of licence fee, the matter is under consideration in Petition No. 21/2011 and the decision taken in the said order will be applicable in this case.

9. Having heard the representatives of the parties and examined the material on record, we proceed to dispose of the petition.

### **CAPITAL COST**

10. As per the proviso to clause (2) of Regulation 7 of the 2009 regulations, extracted hereunder for ease of reference, the capital cost admitted by the Commission for determination of tariff prior to 1.4.2009 shall form the basis for determination of tariff for the period 2009-14.

*“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.”*

11. The Commission vide its order dated 21.8.2009 in Petition No. 89/2006 has admitted capital cost of ₹ 11040.90 lakh in respect of the transmission assets. Accordingly, capital expenditure of ₹ 11040.90 lakh as on 1.4.2009 has been considered for tariff determination in this order for 2009-14 period.

### **ADDITIONAL CAPITAL EXPENDITURE**



12. The petitioner has not projected any additional capital expenditure for the period 2009-14

### **DEBT- EQUITY RATIO**

13. 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.”*

14. Debt-equity ratio considered for working out the transmission charges is as under:-

<b>Asset I</b>	<b>Admitted as on 31.03.2009</b>	
	<b>Amount (₹ in lakh)</b>	<b>%</b>
Debt	3005.41	50.00%
Equity	3005.41	50.00%
<b>Total</b>	<b>6010.81</b>	<b>100.00%</b>
<b>Asset II</b>	<b>Admitted as on 31.03.2009</b>	
	<b>Amount (₹ in lakh)</b>	<b>%</b>
Debt	3997.00	79.46%
Equity	1033.09	20.54%
<b>Total</b>	<b>5030.09</b>	<b>100.00%</b>
<b>Combined</b>	<b>Admitted as on 31.03.2009</b>	
	<b>Amount (₹ in lakh)</b>	<b>%</b>
Debt	7002.41	63.42%
Equity	4038.50	36.58%
<b>Total</b>	<b>11040.90</b>	<b>100.00%</b>

### **RETURN ON EQUITY**

15. 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.”*

16. The petitioner has computed ROE on pre- tax basis on 11.33% MAT in accordance with the tax rate applicable for 2008-09 and has claimed return on equity @ 17.481%.

17. The petitioner has also prayed that it may be allowed to gross up the base rate of ROE as per the Finance Acts of the relevant years. This prayer has already been taken cognizance of in the Commission’s order dated 3.8.2010 in Petition No. 17/2010 wherein a decision has been taken to address the issue raised by the petitioner. 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.”*

18. Pending decision on revision of MAT rate, ROE has been computed as per Regulation 15 of the 2009 regulations, and pre-tax ROE of 17.481% as prayed for the petitioner.

19. Detailed calculation of the ROE in respect the transmission assets is given hereunder:

(₹ in lakh)

	2009-10	2010-11	2011-12	2012-13	2013-14
Opening Equity	4038.50	4038.50	4038.50	4038.50	4038.50
Addition due to Additional Capitalisation	0.00	0.00	0.00	0.00	0.00
Closing Equity	4038.50	4038.50	4038.50	4038.50	4038.50
Average Equity	4038.50	4038.50	4038.50	4038.50	4038.50
Return on Equity (Base Rate )	15.50%	15.50%	15.50%	15.50%	15.50%
Tax rate for the year 2008-09 (MAT)	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%
<b>Return on Equity (Pre Tax)</b>	<b>705.97</b>	<b>705.97</b>	<b>705.97</b>	<b>705.97</b>	<b>705.97</b>

### **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 these calculations, 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 petition for the revision of tariff for 2004-09 period for working out weighted average rate of interest excluding the loans which were repaid already.

(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.

(d) Repayment of LIC – III loan has been worked out as per the LIC Loan amortization Schedule with reference to the GOI loan outstanding as on 13.9.2007 i.e. date of replacement of loan.

22. Detailed calculation of the weighted average rate of interest in respect of the transmission assets has been annexed to this order as Annexure. Details of the calculation of Interest on Loan are as under:

(₹ in lakh)					
	2009-10	2010-11	2011-12	2012-13	2013-14
Gross Normative Loan	7002.41	7002.41	7002.41	7002.41	7002.41
Cumulative Repayment upto Previous Year	5322.51	5874.86	6054.80	6234.73	6414.67
Net Loan-Opening	1679.90	1127.54	947.61	767.67	587.74
Addition due to Additional Capitalisation	0.00	0.00	0.00	0.00	0.00
Repayment during the year	552.36	179.94	179.94	179.94	179.94
Net Loan-Closing	1127.54	947.61	767.67	587.74	407.80
Average Loan	1403.72	1037.57	857.64	677.70	497.77
Weighted Average Rate of Interest on Loan	10.0000%	10.0000%	10.0000%	10.0000%	10.0000%
<b>Interest</b>	<b>140.37</b>	<b>103.76</b>	<b>85.76</b>	<b>67.77</b>	<b>49.78</b>

## **DEPRECIATION**

23. 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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*(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.”

24. Depreciation has been worked out on the admitted capital expenditure as on 1.4.2009

25. Notional date of commercial operation of the transmission assets is 1.4.1997. Accordingly, they complete 12 years on 1.4.2010 and thus depreciation during the year 2009-10 has been calculated as per Straight Line Method. For period 2010-14, yearly depreciation has been calculated based on the remaining depreciable value to be recovered in the remaining life of the asset.

26. For the period 1.4.2009 to 31.3.2014 the depreciation worked out are as under:

	(₹ in lakh)				
	2009-10	2010-11	2011-12	2012-13	2013-14
Gross Block as per last order	11040.90	11040.90	11040.90	11040.90	11040.90
Addition during 2009-14 due to Projected Additional Capitalization	0.00	0.00	0.00	0.00	0.00
Gross Block	11040.90	11040.90	11040.90	11040.90	11040.90
Average Gross Block	11040.90	11040.90	11040.90	11040.90	11040.90
Rate of Depreciation	5.0028%	5.0028%	5.0028%	5.0028%	5.0028%
Depreciable Value	9909.80	9909.80	9909.80	9909.80	9909.80
Elapsed Life (Beginning of the year)	11	12	13	14	15
Weighted Balance Useful life of the combine assets	20	19	18	17	16
Remaining Depreciable Value	3971.13	3418.77	3238.84	3058.90	2878.96
<b>Depreciation</b>	<b>552.36</b>	<b>179.94</b>	<b>179.94</b>	<b>179.94</b>	<b>179.94</b>

### **OPERATION & MAINTENANCE EXPENSES**

27. Clause (g) of Regulation 19 the 2009 regulations prescribes the norms for operation and maintenance expenses based on the type of sub-station and line as given overleaf.

<b>Transmission lines</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>
220 kV D/C , single conductor, transmission line (₹ lakh/ Km)	0.269	0.284	0.301	0.318	0.336
132 kV S/C , single conductor ,transmission line (₹ lakh/ Km)	0.179	0.189	0.200	0.212	0.224
132 kV D/C , single conductor, transmission line (₹ lakh/ Km)	0.269	0.284	0.301	0.318	0.336
220 kV bay (₹ lakh/bay)	36.68	38.78	41.00	43.34	45.82
132 kV bay (₹ lakh/bay)	26.20	27.70	29.28	30.96	32.73

28. The petitioner has calculated the following operation and maintenance expenses in accordance with the above norms and the same are allowed as such:

<b>Element</b>	<b>(₹ in lakh)</b>				
	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>
220 kV & 132 kV D/C, Single Conductor, Transmission Lines (216.046 (123.52+92.526) kms. )	58.12	61.36	65.03	68.70	72.59
132 kV S/C, Single Conductor, Transmission Line 168.865 kms.	30.23	31.92	33.77	35.80	37.83
9 Nos. 220 kV bays	330.12	349.02	369.00	390.06	412.38
9 Nos. 132 kV bays	235.80	249.30	263.52	278.64	294.57
<b>Total O&amp;M for the transmission asset</b>	<b>654.26</b>	<b>691.59</b>	<b>731.32</b>	<b>773.20</b>	<b>817.37</b>

29. The petitioner has submitted that it would 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%. This has been objected to by the consumer respondent. We feel that this issue is premature at this stage. Petition, if any filed by the petitioner will be dealt with in accordance with the provisions of law.

## **INTEREST ON WORKING CAPITAL**

30. As per the 2009 regulations 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 of 2 months' transmission charges claimed in the petition. In the tariff being allowed, receivables have been worked out on the basis of 2 months' transmission charges.

**(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 has accordingly been 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 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.

31. Interest on working capital has been calculated as under:

(₹ in lakh)					
	2009-10	2010-11	2011-12	2012-13	2013-14
Maintenance Spares	98.14	103.74	109.70	115.98	122.61
O & M expenses	54.52	57.63	60.94	64.43	68.11
Receivables	352.47	289.41	293.30	297.57	302.24
<b>Total</b>	<b>505.13</b>	<b>450.78</b>	<b>463.94</b>	<b>477.98</b>	<b>492.96</b>
Rate of Interest	12.25%	12.25%	12.25%	12.25%	12.25%
Interest	<b>61.88</b>	<b>55.22</b>	<b>56.83</b>	<b>58.55</b>	<b>60.39</b>

### **TRANSMISSION CHARGES**

32. The transmission charges being allowed for the transmission lines are summarized below:

(₹ in lakh)					
	2009-10	2010-11	2011-12	2012-13	2013-14
Depreciation	552.36	179.94	179.94	179.94	179.94
Interest on Loan	140.37	103.76	85.76	67.77	49.78
Return on equity	705.97	705.97	705.97	705.97	705.97
Interest on Working Capital	61.88	55.22	56.83	58.55	60.39
O & M Expenses	654.26	691.59	731.32	773.20	817.37
<b>Total</b>	<b>2114.84</b>	<b>1736.47</b>	<b>1759.82</b>	<b>1785.43</b>	<b>1813.44</b>

### **FILING FEES AND PUBLICATION EXPENSES**

33. 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.

34. 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 beneficiaries on pro rata basis.

### **SERVICE TAX**

35. The petitioner has made a specific prayer to be allowed to bill and recover the Service tax on Transmission charges separately from the respondents if it is subjected to Service Tax. This prayer is premature at this stage.

36. The transmission charges allowed in this order 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. 197/2010.

**Sd/-**  
**(M.Deena Dayalan)**  
**Member**

**Sd/-**  
**(V.S.Verma)**  
**Member**

**Annexure - 1**

<b>CALCULATION OF WEIGHTED AVERAGE RATE OF INTEREST ON LOAN</b>						
(₹ in Lakh)						
	<b>Details of Loan</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>
<b>1</b>	<b>LIC-III loan</b>					
	Gross loan opening	4993.49	<b>4993.49</b>	<b>4993.49</b>	<b>4993.49</b>	<b>4993.49</b>
	Cumulative Repayment upto DOCO/previous year	3165.87	<b>3497.89</b>	<b>3829.91</b>	<b>4161.93</b>	<b>4493.95</b>
	Net Loan-Opening	1827.62	1495.60	1163.58	831.56	499.54
	Additions during the year	0.00	0.00	0.00	0.00	0.00
	Repayment during the year	332.02	332.02	332.02	332.02	332.02
	Net Loan-Closing	1495.60	1163.58	831.56	499.54	167.52
	Average Loan	1661.61	1329.59	997.57	665.55	333.53
	Rate of Interest	10.00%	10.00%	10.00%	10.00%	10.00%
	Interest	166.16	132.96	99.76	66.55	33.35
	Rep Schedule	10 Annual Instalments from 31.03.2008				
	<b>Total Loan</b>					
	Gross loan opening	4993.49	4993.49	4993.49	4993.49	4993.49
	Cumulative Repayment upto DOCO/previous year	3165.87	3497.89	3829.91	4161.93	4493.95
	Net Loan-Opening	1827.62	1495.60	1163.58	831.56	499.54
	Additions during the year	0.00	0.00	0.00	0.00	0.00
	Repayment during the year	332.02	332.02	332.02	332.02	332.02
	Net Loan-Closing	1495.60	1163.58	831.56	499.54	167.52
	Average Loan	1661.61	1329.59	997.57	665.55	333.53
	<b>Weighted Average Rate of Interest</b>	<b>10.0000%</b>	<b>10.0000%</b>	<b>10.0000%</b>	<b>10.0000%</b>	<b>10.0000%</b>
	<b>Interest</b>	166.16	132.96	99.76	66.55	33.35