

**CENTRAL ELECTRICITY REGULATORY COMMISSION  
NEW DELHI**

**Petition No. 263/2010**

**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: 5.5.2011**

**DATE OF ORDER: 23.5.2011**

**In the matter of**

Approval of transmission tariff for LILO of 400 kV D/C Bonaigaon-Malda line at Purnea and sub-station at Purnea (New) in Eastern 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. Bihar State Electricity Board, Patna
2. West Bengal State Electricity Board, Kolkata
3. Grid Corporation of Orissa Ltd., Bhubaneswar
4. Damodar Valley Corporation , Kolkata
5. Power Department, Govt. of Sikkim, Gangtok
6. Jharkhand State Electricity Board, Ranchi .... **Respondents**

**The following were present:**

1. Shri M.M. Mondal, PGCIL
2. Shri Rajiv Gupta, PGCIL
3. Shri S.Raju, PGCIL
5. Shri R. B. Sharma, Advocate, BSEB

**ORDER**

This petition has been filed seeking approval of tariff of LILO of 400 kV D/C Bonaigaon-Malda line at Purnea and sub-station at Purnea (New)



(hereinafter referred to as "the transmission asset") in Eastern 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"). The petitioner has made the following additional prayers:-

(a) Allow grossing up of base rate of return with 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) Approve reimbursement of petition filing fee and publication of notices in the newspaper as per the 2009 regulations;

(c) Allow the petitioner to 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 ;

(d) Allow the petitioner to bill and recover the service tax on transmission charges separately from the respondents, if at any time exemption from service tax is withdrawn and transmission is notified as a taxable service; and

(e) Allow to bill and recover licence fee separately from the respondents.



2. The transmission asset was declared under commercial operation w.e.f 1.11.2003. The annual transmission charges for the transmission asset for the period from 1.4.2004 to 31.3.2009 were decided by the Commission vide its order dated 13.2.2007 in Petition No. 116/2006 at a gross block of ₹ 8153.42 lakh .

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

(₹ in lakh)

	2009-10	2010-11	2011-12	2012-13	2013-14
Depreciation	410.18	410.18	410.18	410.18	410.18
Interest on Loan	307.48	273.82	240.17	206.20	174.65
Return on Equity	209.65	209.65	209.65	209.65	209.65
Interest on Working Capital	38.29	38.67	39.12	39.63	40.25
O & M Expenses	379.12	400.83	423.77	447.98	473.58
<b>Total</b>	<b>1344.72</b>	<b>1333.15</b>	<b>1322.89</b>	<b>1313.64</b>	<b>1308.31</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	56.87	60.12	63.57	67.20	71.04
O & M expenses	31.59	33.40	35.31	37.33	39.47
Receivables	224.12	222.19	220.48	218.94	218.05
<b>Total</b>	<b>312.58</b>	<b>315.71</b>	<b>319.36</b>	<b>323.47</b>	<b>328.56</b>
Rate of Interest	12.25%	12.25%	12.25%	12.25%	12.25%
<b>Interest</b>	<b>38.29</b>	<b>38.67</b>	<b>39.12</b>	<b>39.63</b>	<b>40.25</b>

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 the Bihar State Electricity Board (BSEB).

6. BSEB in its reply affidavit dated 17.1.2011 has made following submissions:

(a) In regard to MAT, Commission in its order dated 3.8.2010 in Petition No. 17/2010 has issued order to make suitable provisions in the 2009 regulations to cater to the future changes in the tax rate;

(b) The date of commercial operation of the asset in question is 1.11.2003 and same is under the period to claim the tax holiday under Section 80 IA of the Income Tax Act, 1961. The petitioner has not indicated whether it has availed the tax holiday or not. The petitioner be directed to furnish the entire information related to tax holiday period to the respondent and the Commission to arrive at an actual tax rate applicable;

(c) The certificates submitted by the petitioner shows that the State Bank of India advance rate is 12.25% per annum as on 1.4.2009 whereas Regulation 18(3) of the 2009 regulations talks about the short term prime lending rate of State Bank of India as on 1.4.2009. This discrepancy may be clarified by the petitioner;



(d) As regards the filing fee and expenses incurred on publication of notices, it has been submitted that the Commission in its order dated 11.9.2008 in Petition No. 129/2005 had declined the claim of the Central Power Sector Undertaking (CPSU) for reimbursement on the ground that CPSUs in furtherance of their business interest are statutorily required to approach the Commission for determination and approval of tariff. The claim of the petitioner even in the present petition is liable to be rejected for the same reason;

(e) As regards the licence fee, the same is part of O&M expenses and no separate provisions are contained in 2009 regulations for allowing the licence fee to be recovered separately from the respondents; and

(f) As regards the wage revision due with effect from 1.1.2007, it has been submitted that the Commission has already covered the increase in employee cost on account of pay revision of the employees of the Public Sector Undertaking in the O & M expenses for the year 2009-10 by rationalizing the O & M expenses by 50% increase in the employees cost. Further increase in the employee cost due to wage revision must be taken care of by the petitioner through improvement in its productivity level.



7. The petitioner in its rejoinder dated 10.2.2011 has submitted as under:

(a)The Commission has already taken note of the issue of change in MAT rate in its order dated 3.8.2010 in Petition No. 38/2010 and has decided to carry out amendment in the 2009 regulations. The issue will get addressed once the 2009 regulations are suitably amended as ordered by the Commission;

(b)With regard to tax holiday, the petitioner has submitted that PGCIL 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 IA of the Income Tax Act, 1961, as there was no taxable profit as per Income Tax Act. But BSEB has misunderstood that no tax is being paid by the Power Grid. In the absence of taxable profit, MAT is being paid as per the provisions of Section 115JB of the Income Tax Act, 1961. In the Income Tax Return for the year 2009-10, benefit of tax holiday has been claimed by the Power Grid and the same was informed to the respondent vide letter dated 15.10.2010. The petitioner has further submitted that the 2009 regulations had provided for a marked shift towards ROE as compared to the provisions for tariff period 2004-09. The ROE for 2004-09 is on post tax basis



whereas for 2009-14 it is on pre tax basis and while changing from post-tax to pre-tax rate of return on equity, the Commission has given preference to the view of the beneficiaries as can be seen from para 14.3 of the Statement of Reasons of the 2009 regulations. The petitioner has also submitted that the benefit of tax holiday under Section 80 IA of the Income Tax Act, 1961 would be eligible to be passed on only when actual reimbursement of income tax under post-tax system of ROE as was applicable for the period 2004-09, is allowed by the Commission;

(c) In regard to short term price lending rate of SBI, the petitioner has clarified that SBAR of 12.25% per annum indicated in the petition is the short term price lending rate of SBI as on 1.4.2009;

(d) The rates for O&M expenses in the 2009 regulations has been worked out based on the last five years actual O&M expenses. The payments towards filing fee, publication of notice in newspaper and licence fee are not represented in the actual O&M expenses and, therefore, are extra cost on the petitioner. Licence fee which has been introduced since 27.10.2008 has not been captured in the O&M norms. This is an extra burden on the petitioner and needs to be reimbursed; and



(e) In regard to wage revision w.e.f. 1.1.2007, the petitioner has submitted that the Commission had considered about 50% in the wage hike while stipulating the norms for the period 2009-10. The wages for the all levels of employees have already been revised and its impact is being assessed.

8. We have considered the objections of BSEB. As regards the grossing up the base rate of return with the Minimum Alternate Tax rate as per the applicable Finance Act, we have already initiated the process of amendment of the 2009 regulations to provide for grossing up of base rate of return with the applicable tax rate and the issue will get addressed after the notification of the amendment. The issues regarding the filing fees, publication expenses, licence fees and O&M expenses have been dealt with in later parts of this order. As regards availing the benefits of tax holiday and passing on the same to the beneficiaries, the Commission has considered similar submissions of the respondent in order dated 8.4.2011 in Petition No.225/2010. Our decision in the said order is applicable to the present petition also. Relevant para of the order is extracted below:

*"20. The objection of BSEB is that the petitioner has claimed the Minimum Alternate Tax (MAT) during the entire tariff period of 2009-14 from the beneficiaries. BSEB has submitted that income tax is in the category of a direct tax which has been changed to the category of indirect tax through a legal fiction created in the 2009 regulations by collecting them as part of tariff and post tax return on equity by grossing up the tax rate. BSEB has sought indulgence of the Commission to direct the petitioner to furnish entire information related to tax holiday period to the respondents and the Commission to arrive at post tax return on equity. In its rejoinder, the petitioner has clarified that in the absence of taxable income upto the year 2008-09, the petitioner has been paying the minimum alternate tax as per section 115 JB of the IT Act. The petitioner has further submitted that in the income tax return for 2009-10, the petitioner has claimed the benefits of tax holiday which has been informed to the respondent*





*vide petitioner's letter dated 15.10.2010. Thus the petitioner has shared the information regarding its claim of tax holiday during 2009-10 with the beneficiaries. As regards the contention of BSEB that the Commission has allowed post tax return on equity by grossing up the tax rate, it is clarified that the Commission made a departure from the earlier regulations to give relief to the beneficiaries from the burden of taxation on the income from the core business of the generating companies or transmission licensees. The Commission has provided for a rate of return on equity by grossing up the base rate with the applicable tax rate which is used for computing the actual return on equity as a component of tariff. The generating companies and transmission licensees are left to manage their tax portfolio without any extra burden on the beneficiaries on account of income tax. We are not in agreement with BSEB that the Commission has converted the direct tax to indirect tax by creating a legal fiction. It is clarified that liability to pay income tax squarely now lies with the generating company or transmission licensee and it does not impose any tax burden on the beneficiaries. The tax rate adopted for grossing up the ROE is meant for deciding the rate of return to be paid by the beneficiaries only. Moreover, the rate of return on equity will be trued up on the basis of applicable tax rate as per the relevant Finance Act and the petitioner will be required to submit the documentary evidence regarding the applicable tax rate at the time of truing up. We are of the view that concern of BSEB will get addressed at the time of truing up as grossing up of ROE will be allowed on the basis of tax rate applicable to the petitioner as per the relevant Finance Act."*

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

### **CAPITAL COST**

10. The last proviso to clause (2) of Regulation 7 of the 2009 regulations, extracted hereunder provides that the project cost admitted by the Commission for determination of tariff prior to 1.4.2009 shall form the basis for determination of tariff:

*"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. As per the order dated 13.2.2007 in Petition No. 116/2006, the admitted capital expenditure of the transmission asset was ₹ 8153.42 lakh



as on 31.3.2009. Accordingly, gross block of ₹ 8153.42 lakh as on 31.3.2009 has been considered as the capital cost for the purpose of determination of tariff for the period 2009-14.

#### **ADDITIONAL CAPITAL EXPENDITURE**

12. The petitioner has not claimed any additional capital expenditure during the tariff period 2009-14.

#### **DEBT- EQUITY RATIO**

13. Clause (2) of Regulation 12 of the 2009 regulations inter-alia 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.”

14. The petitioner has claimed tariff based on debt-equity ratio of 85.29:14.71 as considered by the Commission in its order dated 13.2.2007 in Petition No. 116/2006. The same debt-equity ratio has been considered for the purpose of tariff.

#### **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 prayed to allow grossing up of base rate of return with 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. In this regard, it is clarified that the Commission vide its order dated 3.8.2010 in Petition No. 17/2010 has already taken a decision to amend the 2009 regulations. The relevant portion of the said order is extracted as under:

*"We are of the view that this issue of 'grossing up the base rate with the normal tax rate for the year 2008-09' is generic in nature and therefore, it will be appropriate to make suitable provisions in the 2009 regulations to cater to any future changes in the tax rate. Accordingly, we direct the*



staff of the Commission to prepare and submit draft amendment to the 2009 regulations for allowing grossing up of base rate of return with the applicable tax rate as per the Finance Act for the relevant year and direct settlement of tax liability between the generating company/transmission licensee and the beneficiaries/long term transmission customers on year to year basis. Any under/over recovery on account of direct settlement of tax liability shall be subject to the final adjustment at the time of true up exercise.”

17. Accordingly, the return on equity has been computed as per the existing provision of Regulation 15 (3) of 2009 regulation as under:

	(₹ in lakh)					
	Up to 31.3.2009	2009-10	2010-11	2011-12	2012-13	2013-14
Opening Equity	1199.31	1199.31	1199.31	1199.31	1199.31	1199.31
Addition due to additional capital expenditure		0.00	0.00	0.00	0.00	0.00
Closing Equity		1199.31	1199.31	1199.31	1199.31	1199.31
Average Equity		1199.31	1199.31	1199.31	1199.31	1199.31
Return on Equity (Base Rate )		15.50%	15.50%	15.50%	15.50%	15.50%
Tax rate for the year 2008-09		11.33%	11.33%	11.33%	11.33%	11.33%
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>209.65</b>	<b>209.65</b>	<b>209.65</b>	<b>209.65</b>	<b>209.65</b>

### **INTEREST ON LOAN**

18. 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."*

19. The interest on loan has been worked out as detailed below:

(i) Gross amount of loan, repayment of instalments and rate of interest and weighted average rate of interest on actual average loan have been considered as per the petition;



- (ii) The repayment for the tariff period 2009-14 shall be deemed to be equal to the depreciation allowed for that period;
- (iii) In case, moratorium period is availed by the transmission licensee, the repayment of the loan shall be considered from the first year of commercial operation of the project and shall be equal to the annual depreciation allowed;
- (iv) Weighted average rate of interest on actual loan worked out as per (i) above is applied on the notional average loan during the year to arrive at the interest on loan;
- (v) The interest on loan has been calculated on the basis of rate prevailing as on 1.4.2009 as per methodology followed in Petition No. 132/2010 for the calculation of weighted average rate of interest. Any change in rate of interest subsequent to 1.4.2009 will be considered at the time of truing up.

20. The detailed calculations in support of the weighted revised average rate of interest are contained in ***Annexure*** attached to this order. The interest of loan has been calculated on the basis of interest rates



prevailing as on 1.4.2009 as per the 2009 regulations. Based on the above, the year-wise details of interest worked out are given hereunder:

Details of loan	(₹ in lakh)					
	Up to 31.3.2009	2009-10	2010-11	2011-12	2012-13	2013-14
Gross Normative Loan	6954.11	6954.11	6954.11	6954.11	6954.11	6954.11
Cumulative Repayment up to Previous Year		2745.77	3155.95	3566.13	3976.31	4386.49
Net Loan-Opening		4208.34	3798.16	3387.98	2977.80	2567.62
Addition due to Additional Capitalisation		0.00	0.00	0.00	0.00	0.00
Repayment during the year		410.18	410.18	410.18	410.18	410.18
Net Loan-Closing		3798.16	3387.98	2977.80	2567.62	2157.44
Average Loan		4003.25	3593.07	3182.89	2772.71	2362.53
Weighted Average Rate of Interest on Loan		7.6808%	7.6207%	7.5457%	7.4366%	7.3926%
Interest		<b>307.48</b>	<b>273.82</b>	<b>240.17</b>	<b>206.19</b>	<b>174.65</b>

## DEPRECIATION

21. 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."

22. The transmission asset was declared under commercial operation on 1.11.2003 and accordingly it will complete 12 years on beyond 2013-14. Thus, depreciation has been calculated as per straight line method and rates specified in **Appendix-III** of the 2009 regulations. Details of the depreciation worked out are as under:

		( ₹ in lakh)					
Details of Depreciation		Up to 31.3.200 9	2009-10	2010-11	2011-12	2012-13	2013-14
Gross block as on 31.3.2009		8153.42	8153.42	8153.42	8153.42	8153.42	8153.42
Average gross block			8153.42	8153.42	8153.42	8153.42	8153.42
Rate of depreciation			5.0308%	5.0308%	5.0308%	5.0308%	5.0308%
Depreciable Value	90%		7122.15	7122.15	7122.15	7122.15	7122.15
Remaining Depreciable Value			4628.96	4218.78	3808.60	3398.42	2988.24
<b>Depreciation</b>			<b>7122.15</b>	<b>7122.15</b>	<b>7122.15</b>	<b>7122.15</b>	<b>7122.15</b>

### **OPERATION & MAINTENANCE EXPENSES**

23. In accordance with clause (g) of Regulation 19 the 2009 regulations, the following norms for 400 kV D/C, 400 kV D/C single conductor





transmission line and 400 kV bay and 220 kV bay are prescribed for O & M expenses:

Year	2009-10	2010-11	2011-12	2012-13	2013-14
400 kV D/C double conductor transmission line (₹ in lakh /km)	0.627	0.663	0.701	0.741	0.783
400 kV S/C 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

24. 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 400 KV D/C double conductor transmission line (61 ckt/km)	38.25	40.44	42.76	45.20	47.76
O&M expenses for 400 KV D/C twin conductor transmission line (1 km)	0.27	0.28	0.30	0.32	0.34
O&M expenses for 440 kV bays (3 bays)	157.20	166.20	175.71	185.76	196.38
O&M expenses for 220 kV (5 bays)	183.40	193.90	205.00	216.70	229.10
<b>Total</b>	<b>379.12</b>	<b>400.83</b>	<b>423.77</b>	<b>447.98</b>	<b>473.58</b>

25. The petitioner has submitted that transmission charges claimed for the year 2009-14 is inclusive of O & M expenses as specified under Regulation 19 (g) of the 2009 regulation. Accordingly, O & M expenses for the transmission assets have been considered as per Regulation 19 (g) of the 2009 regulations. The petitioner has further submitted that it reserves the right to approach the Commission for suitable revision in the norms for O & M expenditure in case the impact of wage hike with effect from 1.1.2007 is more than 50%. The petition in this regard as and when filed will be dealt with in accordance with law.



## **INTEREST ON WORKING CAPITAL**

26. 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 works out to ₹10.17 lakh as on 1.4.2009.

(iii) **O & M expenses:** Regulation 18(1) (c) (iii) of the 2009 regulations provides for operation and maintenance expenses for one month as a component of working capital. The petitioner has claimed O&M expenses for 1 month of O&M expenses of the respective year as claimed in the petition. This has been considered in the working capital.



(iv) **Rate of interest on working capital:** As per Regulation 18(3) of the 2009 regulations, rate of interest on working capital shall be on normative basis and shall be equal to the short-term Prime Lending Rate of State Bank of India as on 1.4.2009 or on 1st April of the year in which the project or part thereof (as the case may be) is declared under commercial operation, whichever is later. The 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. In regard to the submission by BSEB that the certificate submitted by the petitioner relates to State Bank of India Advance Rate (SBAR), it has been clarified by the petitioner in its rejoinder that SBAR is the same as the Prime lending rate of State Bank of India.

27. Necessary computations in support of interest on working capital are appended hereinbelow:

	(₹ in lakh)				
	2009-10	2010-11	2011-12	2012-13	2013-14
Maintenance Spares	56.87	60.12	63.57	67.20	71.04
O & M expenses	31.59	33.40	35.31	37.33	39.47
Receivables	224.12	222.19	220.48	218.94	218.05
Total	312.58	315.72	319.36	323.47	328.55
Rate of Interest	12.25%	12.25%	12.25%	12.25%	12.25%
<b>Interest</b>	<b>38.29</b>	<b>38.68</b>	<b>39.12</b>	<b>39.62</b>	<b>40.25</b>



## **TRANSMISSION CHARGES**

28. 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	410.18	410.18	410.18	410.18	410.18
Interest on Loan	307.48	273.82	240.17	206.19	174.65
Return on Equity	209.65	209.65	209.65	209.65	209.65
Interest on Working Capital	38.29	38.68	39.12	39.62	40.25
O & M Expenses	379.12	400.83	423.77	447.98	473.58
<b>Total</b>	<b>1344.72</b>	<b>1333.15</b>	<b>1322.89</b>	<b>1313.63</b>	<b>1308.31</b>

### **Application fee and the publication expenses**

29. The petitioner has sought approval for the reimbursement of fee paid by it for filing the petition. The 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."*



30. 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**

31. The petitioner has prayed to allow to bill and recover the 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. The prayer of the petitioner has been opposed by UPPCL. As the petitioner has no liability for service tax at present, the prayer is infructuous and is accordingly rejected.

### **LICENCE FEE**

32. The petitioner has sought reimbursement of licence fee on the ground that is in an extra burden on the petitioner which has been introduced since 27.10.2008 as its impact has not been captured in the O&M expenses in the 2009 regulations. It is clarified that the matter is presently under consideration and any decision in the matter will be applicable to the present petition.



33. 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.

34. This order disposes of Petition No. 263/2010.

Sd/-  
(M.DEENA DAYALAN)  
MEMBER

sd/-  
(V.S.VERMA)  
MEMBER

sd/-  
(S.JAYARAMAN)  
MEMBER

sd/-  
(Dr. PRAMOD DEO)  
CHAIRPERSON



## Annexure

## 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-IX</b>					
	Gross loan opening	836.00	836.00	836.00	836.00	836.00
	Cumulative Repayment up to DOCO/previous year	501.60	585.20	668.80	752.40	836.00
	Net Loan-Opening	334.40	250.80	167.20	83.60	0.00
	Additions during the year	0.00	0.00	0.00	0.00	0.00
	Repayment during the year	83.60	83.60	83.60	83.60	0.00
	Net Loan-Closing	250.80	167.20	83.60	0.00	0.00
	Average Loan	292.60	209.00	125.40	41.80	0.00
	Rate of Interest	12.25%	12.25%	12.25%	12.25%	12.25%
	Interest	35.84	25.60	15.36	5.12	0.00
	Rep Schedule	10 Annual instalments from 22.08.2003				
<b>2</b>	<b>Bond-X</b>					
	Gross loan opening	661.00	661.00	661.00	661.00	661.00
	Cumulative Repayment up to DOCO/previous year	275.42	330.50	385.58	440.67	495.75
	Net Loan-Opening	385.58	330.50	275.42	220.33	165.25
	Additions during the year	0.00	0.00	0.00	0.00	0.00
	Repayment during the year	55.08	55.08	55.08	55.08	55.08
	Net Loan-Closing	330.50	275.42	220.33	165.25	110.17
	Average Loan	358.04	302.96	247.88	192.79	137.71
	Rate of Interest	10.90%	10.90%	10.90%	10.90%	10.90%
	Interest	39.03	33.02	27.02	21.01	15.01
	Rep Schedule	12 Annual instalments from 21.06.2004				
<b>3</b>	<b>Bond-XI-option I</b>					
	Gross loan opening	75.00	75.00	75.00	75.00	75.00
	Cumulative Repayment up to DOCO/previous year	25.00	31.25	37.50	43.75	50.00
	Net Loan-Opening	50.00	43.75	37.50	31.25	25.00
	Additions during the year	0.00	0.00	0.00	0.00	0.00
	Repayment during the year	6.25	6.25	6.25	6.25	6.25
	Net Loan-Closing	43.75	37.50	31.25	25.00	18.75
	Average Loan	46.88	40.63	34.38	28.13	21.88
	Rate of Interest	9.80%	9.80%	9.80%	9.80%	9.80%
	Interest	4.59	3.98	3.37	2.76	2.14
	Rep Schedule	12 Annual instalments from 07-12-2005				
<b>4</b>	<b>Bond- XII</b>					
	Gross loan opening	5.00	5.00	5.00	5.00	5.00
	Cumulative Repayment upto DOCO/previous year	1.67	2.08	2.50	2.92	3.33
	Net Loan-Opening	3.33	2.92	2.50	2.08	1.67
	Additions during the year	0.00	0.00	0.00	0.00	0.00
	Repayment during the year	0.42	0.42	0.42	0.42	0.42
	Net Loan-Closing	2.92	2.50	2.08	1.67	1.25
	Average Loan	3.13	2.71	2.29	1.88	1.46
	Rate of Interest	9.70%	9.70%	9.70%	9.70%	9.70%
	Interest	0.30	0.26	0.22	0.18	0.14
	Rep Schedule	12 Annual instalments from 28.3.2006				



<b>5</b>	<b>Oriental Bank of Commerce</b>					
	Gross loan opening	<b>34.00</b>	<b>34.00</b>	<b>34.00</b>	<b>34.00</b>	<b>34.00</b>
	Cumulative Repayment upto DOCO/previous year	<b>14.17</b>	<b>17.00</b>	<b>19.83</b>	<b>22.67</b>	<b>25.50</b>
	Net Loan-Opening	19.83	17.00	14.17	11.33	8.50
	Additions during the year	0.00	0.00	0.00	0.00	0.00
	Repayment during the year	2.83	2.83	2.83	2.83	2.83
	Net Loan-Closing	17.00	14.17	11.33	8.50	5.67
	Average Loan	18.42	15.58	12.75	9.92	7.08
	Rate of Interest	9.60%	9.60%	9.60%	9.60%	9.60%
	Interest	1.77	1.50	1.22	0.95	0.68
	Rep Schedule	12 Annual Instalments from 22.3.2005				
<b>6</b>	<b>PNB-II</b>					
	Gross loan opening	<b>41.00</b>	<b>41.00</b>	<b>41.00</b>	<b>41.00</b>	<b>41.00</b>
	Cumulative Repayment upto DOCO/previous year	<b>17.08</b>	<b>20.50</b>	<b>23.92</b>	<b>27.33</b>	<b>30.75</b>
	Net Loan-Opening	23.92	20.50	17.08	13.67	10.25
	Additions during the year	0.00	0.00	0.00	0.00	0.00
	Repayment during the year	3.42	3.42	3.42	3.42	3.42
	Net Loan-Closing	20.50	17.08	13.67	10.25	6.83
	Average Loan	22.21	18.79	15.38	11.96	8.54
	Rate of Interest	9.35%	9.35%	9.35%	9.35%	9.35%
	Interest	2.08	1.76	1.44	1.12	0.80
	Rep Schedule	12 annual instalments from 8.3.2005				
<b>7</b>	<b>ADB-I (Exchange Rate 44.31)</b>					
	Gross loan opening	<b>5447.47</b>	<b>5447.47</b>	<b>5447.47</b>	<b>5447.47</b>	<b>5447.47</b>
	Cumulative Repayment upto DOCO/previous year	<b>2056.32</b>	<b>2493.09</b>	<b>2974.62</b>	<b>3505.51</b>	<b>4090.82</b>
	Net Loan-Opening	3391.15	2954.39	2472.85	1941.96	1356.66
	Additions during the year	0.00	0.00	0.00	0.00	0.00
	Repayment during the year	436.76	481.53	530.89	585.31	645.30
	Net Loan-Closing	2954.39	2472.85	1941.96	1356.66	711.35
	Average Loan	3172.77	2713.62	2207.41	1649.31	1034.01
	Rate of Interest	6.84%	6.84%	6.84%	6.84%	6.84%
	Interest	217.02	185.61	150.99	112.81	70.73
	Rep Schedule	Half yearly instalments from 1.6.2004				
	<b>Total Loan</b>					
	Gross loan opening	7099.47	7099.47	7099.47	7099.47	7099.47
	Cumulative Repayment up to DOCO/previous year	2891.26	3479.62	4112.75	4795.24	5532.15
	Net Loan-Opening	4208.22	3619.85	2986.72	2304.23	1567.32
	Additions during the year	0.00	0.00	0.00	0.00	0.00
	Repayment during the year	588.36	633.13	682.49	736.91	713.30
	Net Loan-Closing	3619.85	2986.72	2304.23	1567.32	854.02
	Average Loan	3914.03	3303.29	2645.47	1935.78	1210.67
	Rate of Interest	<b>7.6808%</b>	<b>7.6207%</b>	<b>7.5457%</b>	<b>7.4366%</b>	<b>7.3926%</b>
	<b>Interest</b>	300.63	251.73	199.62	143.96	89.50

