

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Petition No. 272/2010

Coram:

Shri Gireesh Pradhan, Chairperson

Shri M.Deena Dayalan, Member

Shri A.K.Singhal, Member

Date of Order: 26.2.2014

In the matter of

Revision of Order dated 8.5.2013 in Petition No.272/2010 pertaining to the determination of deferred elements of tariff for generation and inter-State transmission of electricity in respect of Damodar Valley Corporation for the period from 1.4.2006 to 31.3.2009 in terms of the Commission's order dated 28.1.2014 in Petition No. 10/RP/2013

And in the matter of

Damodar Valley Corporation,
DVC Towers, VIP Road
Kolkata-700054

...Petitioner

Vs

1. Department of Energy,
Govt of West Bengal,
Secretariat, Kolkata
West Bengal

2. Department of Energy,
Government of Jharkhand,
Secretariat, Ranchi
Jharkhand

3. West Bengal State Electricity Distribution Company Ltd,
Vidyut Bhawan, Block 'DJ', Sector-11, Salt Lake City
Kolkata-700091

4. Jharkhand State Electricity Board,
Energy Building, HEC, Dhurwa,
Ranchi-834004

5. Union of India,
Ministry of Power,
Shram Shakthi Bhawan,
New Delhi-110001

...Respondents

ORDER

Petition No. 272/2010 was filed by the petitioner for determination of deferred elements of tariff for generation and inter-State transmission of electricity in respect of Damodar Valley



Corporation for the period 1.4.2006 to 31.3.2009 and the Commission by its order dated 8.5.2013 determined the annual fixed charges for the same. Aggrieved by the said order, the petitioner filed review petition (Petition No.10/RP/2013) on the following issues:

- (a) Disallowance of expenditures without considering the justification given in respect of the items as described in the statement filed as (Annexure-A) of this petition.
- (b) Disallowance of expenditure on the ground that the assets are of minor nature or covered under the O&M expenses.
- (c) Non-consideration of the additional transmission and distribution assets during the period 2004-09.
- (d) Non-consideration of the decision of the Appellate Tribunal with regard to the asset of inter-unit transfer.
- (e) Disallowance of the expenditure incurred in RLA studies.

2. The Commission after hearing the parties, disposed of the said review petition by order dated 28.1.2014 as under:

"21. The prayer of the petitioner for review of order dated 8.5.2013 stands disposed of in terms of the above observations. Consequent upon the negative entry of (-) ₹264.08 lakh for Switchyard equipment in T&D assets in 2007-08 being ignored as stated above, there is revision in the closing capital cost of T&D system as on 31.3.2008 and 31.3.2009 respectively. However, the change in capital cost and the consequent revision of annual fixed charges for the T& D assets for the period 2007-09 shall be determined by a separate order."

3. In line with the above observations, the capital cost and the annual fixed charges determined in respect of T& D assets of the petitioner for the period 2007-09 as determined by order dated 8.5.2013 is revised by this order.

4. The annual fixed charges in respect of T&D system of the petitioner for the period 2006-09 determined by order dated 8.5.2013 was as under:

(₹ in lakh)			
Transmission & Distribution	2006-07	2007-08	2008-09
Depreciation	6140.87	6693.02	6883.85
Interest on Loan	856.71	683.10	236.61
Return on Equity	3944.47	4241.37	4343.98
Interest on Working Capital	384.50	405.34	412.20
O & M Expenses including transmission	4917.00	5114.00	5318.00
Sub-Total	16243.54	17136.83	17194.65
Additional Charges on account of ROE, IOL, Depreciation of Direction/Central/other offices and subsidiary activities	187.26	177.58	170.17
Grand Total	16430.81	17314.42	17364.81

5. Based on our decision in order dated 28.1.2014 in Petition No. 10/RP/2013, stated above, the additional capital expenditure for Transmission & Distribution system for the year 2007-08 approved in order dated 8.5.2013 is revised as under:

<i>(₹ in lakh)</i>	
	2007-08
Additional Capitalization allowed in Order dated 8.5.2013	4067.01
Add: Expenditure allowed in order dated 28.1.2014 in Petition No.10/RP/2013	264.08
Total additional capital expenditure	4331.10

6. Consequent upon the above, the capital cost approved vide order dated 8.5.2013 in respect of Transmission and Distribution system for the period 2007-08 and 2008-09 is revised as under:

<i>(₹ in lakh)</i>		
	2007-08	2008-09
Opening Capital Cost	83655.41	87986.51
Additional Capital Expenditure	4331.10	819.30
Closing Capital Cost	87986.51	88805.81
Average Capital Cost	85820.96	88396.16

Return on Equity

7. Return on Equity worked out in order dated 8.5.2013 in respect of Transmission and Distribution system for the period 2007-08 and 2008-09 is revised as under:

<i>(₹ in lakh)</i>		
	2007-08	2008-09
Equity-Opening	29685.44	30984.77
Addition of Equity due to Additional capital expenditure	1299.33	245.79
Equity-Closing	30984.77	31230.56
Average Equity	30335.11	31107.67
Return on Equity @ 14%	4246.92	4355.07

Interest on loan

8. Interest on loan arrived at in order dated 8.5.2013 in respect of Transmission and Distribution system for the period 2007-08 and 2008-09 is revised as under:

<i>(₹ in lakh)</i>		
	2007-08	2008-09
Gross opening loan	53969.97	57001.74
Cumulative repayment of loan up to previous year	44818.63	51521.96
Net Loan Opening	9151.34	5479.78
Addition due to Additional capitalisation	3031.77	573.51
Less : Repayment of Loan during the year	6703.33	6053.29
Net Loan Closing	5479.78	0.00
Average Loan	7315.56	2739.89
Weighted Average Rate of Interest on Loan	9.45%	8.92%
Interest on Loan	691.35	244.40

Depreciation

9. Depreciation worked out and allowed in order dated 8.5.2013 in respect of Transmission and Distribution system for the period 2007-08 and 2008-09 is revised as under:

	(₹ in lakh)	
	2007-08	2008-09
Opening capital cost	83655.41	87986.51
Closing capital cost	87986.51	88805.81
Average capital cost	85820.96	88396.16
Depreciable value @ 90 % excluding land	77099.53	79417.21
Balance depreciable value	32687.99	28331.18
Depreciation	6703.33	6904.48
Cumulative depreciation at the end	51114.87	57990.51
Cumulative depreciation reduction due to de-capitalization	28.84	38.26
Cumulative depreciation after adjustment due to de-capitalization	51086.03	57952.25

O&M Expenses

10. O&M expenses allowed in Order dated 8.5.2013 has been considered.

Interest on Working Capital

11. Consequent upon change in the Receivables component of the working capital, the order dated 8.5.2013 in respect of Transmission and Distribution system for the period 2007-08 and 2008-09 in respect of Interest on working capital is revised as under:

	(₹ in lakh)	
	2007-08	2008-09
O&M expenses	426.17	443.17
Spares	672.21	712.55
Receivables	2860.23	2872.47
Total working capital	3958.61	4028.19
Rate of interest	10.25%	10.25%
Interest on working capital	405.76	412.89

12. Based on the above, the annual fixed charges allowed in order dated 8.5.2013 in respect of Transmission and Distribution system for the period 2007-08 and 2008-09 in respect of Interest on working capital is revised as under:

	(₹ in lakh)	
	2007-08	2008-09
Depreciation	6703.33	6904.48
Interest on Loan	691.35	244.40
Return on Equity	4246.92	4355.07
Interest on Working Capital	405.76	412.89
O&M Expenses including transmission	5114.00	5318.00
Total	17161.36	17234.84

13. Accordingly, the annual fixed charges allowed in order dated 8.5.2013 in respect of Transmission and Distribution system of the petitioner for the period 2006-09 is summarized as under:

(₹ in lakh)

Transmission & Distribution	2006-07	2007-08	2008-09
Depreciation	6140.87	6703.33	6904.48
Interest on Loan	856.71	691.35	244.40
Return on Equity	3944.47	4246.92	4355.07
Interest on Working Capital	384.50	405.76	412.89
O & M Expenses including transmission	4917.00	5114.00	5318.00
Sub-Total	16243.54	17161.36	17234.84
Additional Charges on account of ROE, IOL, Depreciation of Direction/Central/other offices and subsidiary activities	187.26	177.58	170.17
Grand Total	16430.81	17338.94	17405.01

Note: (1) All figures are on annualized basis.(2) All the figures under each head have been rounded. The figure in total column in each year is also rounded. Because of rounding of each figure the total may not be arithmetic sum of individual items in columns.

14. Except the above, all other terms contained in order dated 8.5.2013 remains unchanged.

15. The difference in respect of the tariff determined by order dated 8.5.2013 and the tariff determined by this order shall be mutually settled between the parties.

Sd/-
(A.K.Singhal)
Member

Sd/-
(M. Deena Dayalan)
Member

Sd/-
(Gireesh B. Pradhan)
Chairperson