

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

CORAM:

1. **Shri K.N. Sinha, Member**
2. **Shri Bhanu Bhushan, Member**

Petition No.57/2002

In the matter of

Approval of transmission tariff for LILO of one circuit of existing Neyveli-Trichy 400 kV D/C line at Neyveli TPS-I (Expansion) in Southern Region for the period 1.2.2002 to 31.3.2004.

And in the matter of

Power Grid Corporation of India Ltd.

... Petitioner

Vs

1. Karnataka Power Transmission Corporation Ltd., Bangalore
2. Transmission Corporation of Andhra Pradesh, Hyderabad
3. Kerala State Electricity Board, Thiruvananthapuram
4. Tamil Nadu Electricity Board, Chennai
5. Electricity Deptt., Govt. of Pondicherry, Pondicherry

.. Respondents

The following were present:

1. Shri U.C. Misra, Director (Pers), PGCIL
2. Shri Umesh Chandra, ED (Comml), PGCIL
3. Shri J. Sridharan, ED (Fin), PGCIL
4. Shri D.D. Dhayaseelan, DGM, PGCIL
5. Shri P.C. Pankaj, AGM (Comml), PGCIL
6. Shri U.K. Tyagi, DGM, PGCIL
7. Shri C. Kannan, CM (Fin), PGCIL
8. Shri B.S. Chandrashekar, KPTCL
9. Shri S. Sowmyanarayanan, TNEB

**ORDER
(DATE OF HEARING: 15.4.2004)**

The petitioner has filed the present petition for approval of tariff for LILO of one circuit of existing Neyveli-Trichy 400 kV D/C line at Neyveli TPS-I (Expansion) in Southern Region for the period 1.2.2002 to 31.3.2004 based on the terms and

conditions for determination of tariff contained in the Commission's notification dated 26.3.2001 (hereinafter referred to as "the notification dated 26.3.2001").

2. The investment approval for construction of the transmission line was accorded by Board of Directors of the petitioner company as per Memorandum dated 29.02.2000 at an estimated cost of Rs.1114.00 lakh (2st quarter 1999 price), including IDC of Rs. 52.00 lakh.

3. As per the investment approval, the transmission line was to be commissioned matching with the first unit of Neyveli TPS-I (Expansion). This unit was actually synchronized on 21.10.2002. The assets have been put under commercial operation on 1.2.2002. Thus, the transmission project was put into operation about 8 months prior to its scheduled date.

4. The petitioner, in the present petition, has sought approval for transmission charges for the years 2001-02, 2002-03 and 2003-04 based on the notification dated 26.3.2001 based on capital cost of Rs. 950.54 lakh as on 31.3.2003 as under:

(Rs. in lakh)

	2001-2002 (Pro rata)	2002-2003	2003-2004
Interest on Loan	10.95	82.53	81.54
Interest on Working Capital	0.59	4.06	4.15
Depreciation	3.93	24.34	24.43
Advance Against Depreciation	0.00	0.00	0.00
Return on Equity	3.37	24.80	25.37
O & M Expenses	1.98	12.57	13.32
Total	20.82	148.30	148.81

5. In support of its claim for interest on working capital the petitioner has submitted the following details:

(Rs. in lakh)

	2001-2002 (Pro rata)	2002-2003	2003-2004
Spares	9.18	9.56	10.17
O & M expenses	0.99	1.05	1.11
Receivables	20.83	24.72	24.80
Total	31.00	35.33	36.08
Rate of Interest	11.50%	11.50%	11.50%
Interest	0.59	4.06	4.15

6. In addition, the petitioner has prayed for approval of other charges like Income Tax, incentive, Development Surcharge, late payment surcharge, other statutory taxes, levies, cess, filing fee, etc in terms of the notification.

CAPITAL COST

7. As laid down in the notification dated 26.3.2001, the project cost as approved by CEA or an appropriate independent agency, other than Board of Directors of the generating company, as the case may be, shall be the basis for computation of tariff. The capital cost shall include capitalised initial spares for the first 5 years of operation. The notification dated 26.3.2001 further provides that the actual capital expenditure incurred on completion of the project shall be the criterion for fixation of tariff. Where the actual expenditure exceeds the approved project cost, the excesses as approved by the Authority or an appropriate independent agency, as the case may be, shall be deemed to be the actual capital expenditure for the purpose of determining the tariff, provided that excess expenditure is not attributable to the petitioner or its suppliers or contractors. This is subject to the condition that where a transmission services agreement entered into between the Transmission Utility and the beneficiary provides a ceiling on capital expenditure; the capital expenditure shall not exceed such ceiling.

8. As per the auditor's certificate furnished by the petitioner on 7.12.2004, the actual completion cost of the transmission line is Rs 957.67 lakh, including IDC of Rs 45.83 lakh, worked out as under:

Expenditure up to date of commercial operation (1.2.2002)	:Rs 893.27 lakh
Gross block on date of commercial operation	:Rs 893.27 lakh
Expenditure from date of commercial operation to 31.3.2002	:Rs 50.13 lakh
Gross block as on 31.3.2002	:Rs 943.40 lakh
Expenditure from 1.4.2002 to 31.3.2003	:Rs 7.14 lakh
Gross block as on 31.3.2003	:Rs 950.54 lakh
Balance anticipated expenditure	:Rs. 7.13 lakh
Gross block as on 31.3.2004	:Rs 957.67 lakh
Total completion cost	:Rs 957.67 lakh

9. For the purpose of computation of tariff on the Gross Block of Rs. 893.27 lakh as on the date of commercial operation as per the auditor's certificate submitted by the petitioner has been considered.

ADDITIONAL CAPITALISATION

10. The notification dated 26.3.2001 provides that tariff revisions during the tariff period on account of capital expenditure within the approved project cost incurred during the tariff period may be entertained by the Commission if such expenditure exceeds 20% of the approved cost. In all cases, where such expenditure is less than 20%, tariff revision shall be considered in the next tariff period.

11. The petitioner has claimed additional capital expenditure of Rs. 57.27 lakh for the period on or after 1.2.2002 in the present petition as per para 8 above. This

additional expenditure is less than 20% of the approved cost. Accordingly, the additional capitalisation has not been considered.

SOURCES OF FINANCING. DEBT – EQUITY RATIO

12. As per clause 4.3 of the notification dated 26.3.2001, capital expenditure of the transmission system shall be financed as per approved financial package set out in the techno-economic clearance of CEA or as approved by an appropriate independent agency, as the case may be. The Board of Directors of the petitioner company while according the administrative approval has not specified the debt-equity ratio for financing the project. The petitioner has claimed tariff by taking actual debt and equity ratio of 88.66:11.34. This is not opposed by the respondents. Therefore, The same debt-equity ratio has been considered for determination of tariff in the present petition.

Necessary details in this regard are extracted below:

Debt:	Rs. 792.00 lakh
Equity:	Rs. 101.27 lakh
Total	Rs. 893.27 lakh

INTEREST ON LOAN

13. As per clause 4.4(a) of the notification dated 26.3.2001, Interest on loan capital shall be computed on the outstanding loans, duly taking into account the schedule of repayment, as per the financial package approved by CEA or any independent agency.

14. In the calculation, the interest on loan has been worked by considering the gross amount of loan, repayment for the year 2001-02 to 2003-04 and rate of interest

etc. as per the loan details for the assets commissioned after 31.3.2001 as submitted by the petitioner vide affidavit dated 1.9.2004.

15. It is noted from the petition that the following loans have been drawn after the date of commercial operation, that is, 1.2.2002, but have been considered for financing of capital expenditure as on the date of commercial operation by the petitioner:

(Rs. in lakh)

Loan	Date of Drawl	Amount
Oriental Bank of Commerce	26.3.2002	86.00
PNB-II	18.3.2002	103.00
Bond XII	28.3.2002	13.00

16. As neither return on equity nor interest on loan has been claimed by the the petitioner from the date of commercial operation to the date of drawl of loan and the petitioner has claimed interest on these loans from the respective date of drawls, the same has been allowed as claimed in the petition. It is also noted that there is difference in date of drawl as per petition and as per loan allocation statement for the year 2001-02 for Oriental Bank of Commerce loan and PNB-II loan. It has been explained by the petitioner that these loans were drawn on more than occasions and they have claimed interest from the later date. It is also noted that there is discrepancy in date of drawl of Bond-XII in this petition (28.2.2002) and petition 10/2002 and as per loan allocation statement for the year 2001-02 (i.e. 28.3.2002). It is informed by the petitioner that it has been inadvertently taken as 28.2.2003 in the petition and the same may be taken as 28.3.2002. Therefore, in the means of financing as on the date of commercial operation, these loans have been shown.

17. OBC and PNB II loans carry floating rate of interest and the interest rates as submitted by the petitioner stated to be prevailing as on the date of commercial operation have been taken in the calculation. Any change/resetting of the interest rates of the above loans during the tariff period covered in this petition would require settlement of the same mutually between the parties. In case they are unable to settle the question mutually, any one of them is at liberty to approach the Commission for appropriate decision.

18. For the purpose of tariff we have considered the actual loan of Rs. 792.00 lakh as on the date of commercial operation.

19. The detailed calculations in support of interest on loan are appended below:

(Rs in lakh)

Details of Loan	2001-02	2002-03	2003-04
No. of days in the Year	365	365	366
Bonds IX			
Gross Loan -Opening	134.00	134.00	134.00
Cumulative Repayment up to Previous Year	0.00	0.00	0.00
Net Loan-Opening	134.00	134.00	134.00
Repayment during the year	0.00	0.00	13.40
Net Loan-Closing	134.00	134.00	120.60
Rate of Interest	12.25%	12.25%	12.25%
Interest	2.65	16.42	15.41
Repayment Schedule	10 Annual instalments from 22.08.2003		
Bonds XI Option I			
Gross Loan -Opening	186.00	186.00	186.00
Cumulative Repayment up to Previous Year	0.00	0.00	0.00
Net Loan-Opening	186.00	186.00	186.00
Repayment during the year	0.00	0.00	0.00
Net Loan-Closing	186.00	186.00	186.00
Rate of Interest	9.80%	9.80%	9.80%
Interest	2.95	18.23	18.23
Repayment Schedule	12 Annual instalments from 07.12.2005		

Oriental Bank of Commerce (Date of Drawl 26.03.2002)			
Gross Loan -Opening	86.00	86.00	86.00
Cumulative Repayment up to Previous Year	0.00	0.00	0.00
Net Loan-Opening	86.00	86.00	86.00
Repayment during the year	0.00	0.00	0.00
Net Loan-Closing	86.00	86.00	86.00
Rate of Interest (OBC PLR)	9.10%	9.10%	9.10%
Interest	0.13	7.83	7.83
Repayment Schedule	12 Annual instalments from 22.03.2005		
PNB II (Date of Drawl 18.03.2002)			
Gross Loan -Opening	103.00	103.00	103.00
Cumulative Repayment up to Previous Year	0.00	0.00	0.00
Net Loan-Opening	103.00	103.00	103.00
Repayment during the year	0.00	0.00	0.00
Net Loan-Closing	103.00	103.00	103.00
Rate of Interest (PNB PLR)	9.10%	9.10%	9.10%
Interest	0.36	9.37	9.37
Repayment Schedule	12 Annual instalments from 08.03.2005		
Bond X			
Gross Loan -Opening	270.00	270.00	270.00
Cumulative Repayment up to Previous Year	0.00	0.00	0.00
Net Loan-Opening	270.00	270.00	270.00
Repayment during the year	0.00	0.00	0.00
Net Loan-Closing	270.00	270.00	270.00
Rate of Interest	10.90%	10.90%	10.90%
Interest	4.76	29.43	29.43
Repayment Schedule	12 Annual instalments from 21.06.2004		
Bond XII (Date of Drawl 28.03.2002)			
Gross Loan -Opening	13.00	13.00	13.00
Cumulative Repayment up to Previous Year	0.00	0.00	0.00
Net Loan-Opening	13.00	13.00	13.00
Repayment during the year	0.00	0.00	0.00
Net Loan-Closing	13.00	13.00	13.00
Rate of Interest - SBI-I	9.70%	9.70%	9.70%
Interest	0.01	1.26	1.26
Repayment Schedule	12 Annual instalments from 28.03.2006		
Total Loan			
Gross Loan -Opening	792.00	792.00	792.00
Cumulative Repayment up to Previous Year	0.00	0.00	0.00
Net Loan-Opening	792.00	792.00	792.00
Repayment during the year	0.00	0.00	13.40
Net Loan-Closing	792.00	792.00	778.60
Interest	10.86	82.53	81.53

DEPRECIATION

20. With regard to depreciation, para 4(b) of the notification dated 26.3.2001 provides:

- (i) The value base for the purpose of depreciation shall be the historical cost of the asset.
- (ii) Depreciation shall be calculated annually as per straight-line method at the rate of depreciation as prescribed in the Schedule attached to the notification.

Provided that the total depreciation during the life of the project shall not exceed 90% of the approved Original Cost. The approved original cost shall include additional capitalisation on account of foreign exchange rate variation also.

- (iii) On repayment of entire loan, the remaining depreciable value shall be spread over the balance useful life of the asset.
- (iv) Depreciation shall be chargeable from the first year of operation. In case of operation of the asset for part of the year, depreciation shall be charged on pro-rata basis.
- (v) Depreciation against assets relating to environmental protection shall be allowed on case-to-case basis at the time of fixation of tariff subject to the condition that the environmental standards as prescribed have been complied with during the previous tariff period.

21. The petitioner has claimed the depreciation based on the capital expenditure of Rs. 950.54 lakh as on 31.3.2003 in accordance with above principles. In the

calculation of depreciation the capital cost of Rs. 893.27 lakh has been considered.

22. Based on the provisions of the notification dated 26.3.2001, the depreciation for individual items of capital expenditure has been calculated on the capital cost for each of the assets at the rates as prescribed in the notification. While approving depreciation component of tariff, the weighted average depreciation rate has been worked out. The break up of the capital cost has been considered as per the details furnished by the petitioner. The necessary calculations in support of weighted average depreciation rate are given hereunder:

Particulars	Capital cost as on date of commercial operation as per C.A. certificate dated 16.10.2003	Approved capital cost	Rate of Depreciation as per the notification Dated 26.3.2001	Depreciation
Date of commercial operation	1.2.2002			
Capital Expenditure as on 1.2.2002				
Land	0.00		0%	0.00
Building & Other Civil Works	0.00		1.80%	0.00
Sub-Station Equipments	0.00		3.60%	0.00
Transmission Line	893.27		2.57%	22.96
PLCC	0.00		6.00%	0.00
Total	893.27	1114.00		22.96
Weighted Average Rate of Depreciation				2.57%

23. The calculations in support of depreciation allowed are appended herein below:

(Rs. in lakh)				
		2001-02	2002-03	2003-04
Rate of Depreciation	2.57%			
Depreciable Value (90% of Gross Block)	803.94			
Remaining Depreciable Value		803.94	800.12	777.16
Depreciation		3.83	22.96	22.96

ADVANCE AGAINST DEPRECIATION

24. In addition to allowable depreciation, the petitioner becomes entitled to Advance Against Depreciation when originally scheduled loan repayment exceeds the depreciation allowable as per schedule to the notification dated 26.3.2001. Advance Against Depreciation is computed in accordance with the following formula:

AAD = Originally scheduled loan repayment amount subject to a ceiling of 1/12th of original loan amount minus depreciation as per schedule.

25. The petitioner has not claimed Advance Against Depreciation.

26. For working out Advance Against Depreciation, 1/12th of the notional loan has been considered while repayment of loan as worked out above has been taken as repayment of the loan during the year. Similarly, depreciation allowed as per para 23 above has been considered. The petitioner is not entitled to Advance Against Depreciation as calculated below:

(Rs. in lakh)

	2001-02	2002-03	2003-04
1/12th of Gross Loan(s)	66.00	66.00	66.00
Scheduled Repayment of the Loan(s)	0.00	0.00	13.40
Minimum of the above	0.00	0.00	13.40
Depreciation during the year	3.83	22.96	22.96
Advance Against Depreciation	0.00	0.00	0.00

OPERATION & MAINTENANCE EXPENSES

27. In accordance with the notification dated 26.3.2001, Operation and Maintenance expenses, including expenses on insurance, if any, are to be calculated as under:

(i) Where O&M expenses, excluding abnormal O&M expenses, if any, on sub-station (OMS) and line (OML) are separately available for each region, these shall be normalised by dividing them by number of bays and line length respectively. Where data as aforesaid is not available, O&M expenses in the region are to be apportioned to the sub-station and lines on the basis of 30:70 ratio and these are to be normalised as below:

O&M expenses per Unit of the line length in Kms (OMLL) =

Expenses for lines (OML)/Average line length in Kms (LL)

O&M expenses for sub-stations (OMBN) = O&M expenses for substations (OMB)/Average number of bays (BN)]

(ii) The five years average of the normalised O&M expenses for lines and for bays for the period 1995-96 to 1999-2000 is to be escalated at 10% per annum for two years (1998-99 and 1999-2000) to arrive at normative O&M expenses per unit of line length and per bay for 1999-2000.

(iii) The normative O&M per unit length and normative O&M per bay for the year 1999-2000 for the region derived in the preceding paragraph is to be escalated @ 6% per annum to obtain normative values of O&M expenses per unit per line length and per bay in the relevant year. These normative values are to be multiplied by line length and number of bays (as the case may be) in

a given system in that year to compute permissible O&M expenses for the system.

(iv) The escalation factor of 6% per annum is to be used to revise normative base figure of O&M expenses. Any deviation of the escalation factor computed from the actual inflation data that lies within 20% of the notified escalation factor of 6% shall be absorbed by utilities/beneficiaries.

28. The assets forming part of Chandrapur HVDC back-to-back are inter-regional assets, being common to Western and Southern Regions. Therefore, O&M expenses for these assets have been calculated with reference to O&M charges applicable to Western Region. The Ramagundam-Hyderabad transmission line is exclusive to Southern Region. Accordingly, O&M charges as applicable for Southern Region have been considered for these assets.

29. Based on the methodology for computation of O&M expenses specified in the notification dated 26.3.2001, the Commission has computed O&M charges per ckt km (NOMLL) and per bay (NOMB) for Western Region and Southern Region in other petitions. These are extracted below for both the regions:

NORMALIZED O&M EXPENSES FOR WESTERN REGION

(Rs. in lakh)

S. NO.	Items	1995-96	1996-97	1997-98	1998-99	1999-2000	Total for five years 95-96 to 99-00	1999-00	2000-01	2001-02	2002-03	2003-04
1	Total O&M expenses(Rs. lakhs)	1116.94	1107.24	2230.12	3136.76	3905.44						
2	Abnormal O&M expenses	0.00	0.00	0.00	0.00	0.00	0.00					
3	Normal O&M expenses (S.No. 1 - S.NO. 2)	1116.94	1107.24	2230.12	3136.76	3905.44						
4	OML (O&M for lines)= 0.7 X S. NO.3	781.86	775.07	1561.08	2195.73	2733.81	8047.55					
5	OMS (O&M for substation) = 0.3XS.NO.3	335.08	332.17	669.03	941.03	1171.63	3448.94					
6	Line length at beginning of the year in Kms.	4520.00	5322.00	5322.00	7668.00	7681.00						
7	Line length added in the year in Kms.	802.00	0.00	2346.00	13.00	1487.00						
8	Line length at end of the year in Kms.	5322.00	5322.00	7668.00	7681.00	9168.00						
9	LL (Average line length in the Region)	4921.00	5322.00	6495.00	7674.50	8424.50	32837.00					
10	NO. of bays at beginning of the year	53	53	54	101	102						
11	NO. of bays added in the year	0	1	47	1	15						
12	NO. of bays at the end of the year	53	54	101	102	117						
13	BN (Average number of bays in the Region)	53.0	53.5	77.5	101.5	109.5	395.00					
14	AVOMLL(OML/LL)	0.16	0.15	0.24	0.29	0.32	1.155					
15	AVOMBN(OMS/BN)	6.32	6.21	8.63	9.27	10.70	41.135					
16	NOMLL(allowable O&M per unit of line length)			0.2311	0.2542	0.2796		0.2796	0.2964	0.3142	0.3330	0.3530
17	NOMBN(Allowable O&M per bay)			8.2269	9.0496	9.9546		9.9546	10.5519	11.1850	11.8561	12.5675
18	NOMLL(as calculated by petitioner)			0.28				0.34	0.36	0.38	0.40	0.41
19	NOMBN(as calculated by petitioner)			10.06				12.17	12.90	13.67	14.49	15.36

NORMALIZED O&M EXPENSES FOR SOUTHERN REGION

(All Figures in Rs. lakhs)

S. NO.	Items	1995-96	1996-97	1997-98	1998-99	1999-2000	Total for five years 95-96 to 99-00	99-00	2000-01	2001-02	2002-03	2003-04
1	Total O&M expenses (Rs. lakhs)	2129.83	2220.25	3330.40	3724.36	4701.71						
2	Abnormal O&M expenses	0.00	0.00	0.00	0.00	0.00						
3	Normal O&M expenses (S.No. 1 -S.NO. 2)	2129.83	2220.25	3330.40	3724.36	4701.71						
4	OML (O&M for lines)= 0.7 X S. NO.3	1490.88	1554.17	2331.28	2607.05	3291.20	11274.58					
5	OMS (O&M for sub-station) = 0.3XS.NO.3	638.95	666.07	999.12	1117.31	1410.51	4831.96					
6	Line length at beginning of the year in Kms.	5578.74	5839.71	5839.71	6034.71	6190.71						
7	Line length added in the year in Kms.	260.97	0.00	195.00	156.00	656.33						
8	Line length at end of the year in Kms.	5839.71	5839.71	6034.71	6190.71	6847.04						
9	LL (Average line length in the Region)	5709.23	5839.71	5937.21	6112.71	6518.88	30117.74					
10	NO. of bays at beginning of the year	66	71	74	76	80						
11	NO. of bays added in the year	5	3	2	4	26						
12	NO. of bays at the end of the year	71	74	76	80	106						
13	BN (Average number of bays in the Region)	68.5	72.5	75.0	78.0	93.0	387.00					
14	AVOMLL(OML/LL)	0.26	0.27	0.39	0.43	0.50	1.851					
15	AVOMBN(OMS/BN)	9.33	9.19	13.32	14.32	15.17	61.328					
16	NOMLL(allowable O&M per unit of line length)			0.3703	0.4073	0.4480		0.4480	0.4749	0.5034	0.5336	0.5656
17	NOMBN(Allowable O&M per bay)			12.2656	13.4921	14.8413		14.8413	15.7318	16.6757	17.6763	18.7368
	NOMLL(as calculated by petitioner)			0.4200				0.5100	0.5400	0.5700	0.6000	0.6400
	NOMBN(as calculated by petitioner)			13.9100				16.8300	17.8400	18.9100	20.0400	21.2400

30. The differences in NOMLL and NOMBAN as calculated by the petitioner and as allowed are mainly on account of certain expenses disallowed by us as explained in the respective orders for computation of normative values.

31. In our calculations the escalation factor of 6% per annum has been used. In accordance with the notification dated 26.3.2001, if the escalation factor computed from the observed data lies in the range of 4.8% to 7.2%, this variation shall be absorbed by the petitioner. In case of deviation beyond this limit, adjustment shall be made on by applying actual escalation factor arrived at on the basis of weighted price index of CPI for industrial workers (CPI_IW) and index of selected component of WPI (WPI_TR).

32. The details of O&M expenses allowed are given hereunder:

2001-02			2002-03			2003-04		
Line length Ckm	No. of bays	O&M expenses (Rs. in lakh)	Line length Ckm	No. of bays	O&M expenses (Rs. in lakh)	Line length Ckm	No. of bays	O&M expenses (Rs. in lakh)
22.02	0	1.85	22.02	0	11.75	22.02	0	12.45

RETURN ON EQUITY

33. In accordance with the notification dated 26.3.2001, the petitioner is entitled to return on equity at the rate of 16% per annum. For the purpose of tariff, equity of Rs. 101.27 as on 1.2.2002 has been considered. On the above basis, the petitioner shall be entitled to return on equity each year during the tariff period as under:

Year	Amount
2001-02 (Pro rata)	2.70 lakh
2002-03	16.20 lakh
2003-04	16.20 lakh

INTEREST ON WORKING CAPITAL

34. As provided in the notification dated 26.3.2001, the interest on working capital shall cover:

- (a) Operation and maintenance expenses (cash) for one month;
- (b) Maintenance spares at a normative rate of 1% of the capital cost less 1/5th of the initial capitalised spares. Cost of maintenance spares for each subsequent year shall be revised at the rate applicable for revision of expenditure on O & M of the transmission system; and
- (c) Receivables equivalent to two months' average billing calculated on normative availability level, which is 98%.

35. In keeping with the methodology prescribed in the notification dated 26.3.2001, working capital has been worked out. In the calculation, maintenance spares for the years 2001-02 to 2003-04 have been worked out on the basis of capital expenditure up to 31.1.2002, and after deduction of 1/5th of the initial capitalised spares therefrom. This has been escalated @ 6% per annum for the tariff period 2001-02 to 2003-04. The petitioner has claimed interest on working capital at the rate of 11.5%, based on annual SBI PLR for the year 2001-2002, which has been allowed separately by the Commission in certain other petitions and, therefore, the same has been allowed here also. The detailed calculations in support of interest on Working Capital are as under:

Interest on Working Capital

(Rs. In lakh)

	2001-02 (Pro rata)	2002-03	2003-04
Spares	8.93	9.02	9.56
O & M expenses	0.93	0.98	1.04
Receivables	19.80	22.87	22.83
Total	29.66	32.87	33.43
Rate of Interest	11.50%	11.50%	11.50%
Interest	0.57	3.78	3.84

TRANSMISSION CHARGES

36. In the light of above discussion, we approve the transmission charges as given in the Table below:

(Rs. in lakh)

	2001-02 (Pro rata)	2002-03	2003-04
Interest on Loan	10.86	82.53	81.53
Interest on Working Capital	0.57	3.78	3.84
Depreciation	3.83	22.96	22.96
Advance Against Depreciation	0.00	0.00	0.00
Return on Equity	2.70	16.20	16.20
O & M Expenses	1.85	11.75	12.45
Total	19.80	137.23	136.99

37. The difference between the petitioner's claim on account of transmission charges and that allowed by us is primarily on account of difference in gross block considered for the purposes of tariff.

38. In addition to the transmission charges, the petitioner shall be entitled to other charges like Development Surcharge, income tax, incentive, surcharge and other cess and taxes in accordance with the notification dated 26.3.2001, subject to directions, if any, of the superior courts. The petitioner shall also be entitled to recovery of filing fee of Rs 2 lakh, which shall be recovered from the respondents in five monthly installments of Rupees forty thousand each and shall be shared by the respondents in the same ratio as other transmission charges. This is subject to confirmation that the amount is not already included in the O&M charges.

39. The petitioner has already billed the respondents on provisional basis in accordance with the Commission's interim orders. The provisional billing of tariff shall be adjusted in the light of final tariff now approved by us.

40. The transmission charges approved by us shall be included in the regional transmission tariff for Southern Region and shall be shared by the regional constituents in accordance with the notification dated 26.3.2001.

41. This order disposes of Petition No.57/2002.

**Sd/-
(BHANU BHUSHAN)
MEMBER**

**Sd/-
(K.N. SINHA)
MEMBER**

New Delhi dated the 21st February 2005