

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Coram:

- 1. Shri Ashok Basu, Chairperson**
- 2. Shri Bhanu Bhushan, Member**
- 3. Shri. A.H. Jung, Member**

Petition No. 11/2005

In the matter of

Approval of transmission charges for Fixed and Thyristor Controlled Series Compensation for 400 KV D/C Raipur- Rourkela Transmission Line at Raipur in Western Region for the period from 1-11-2004 to 31-3-2009.

And in the matter of

Power Grid Corporation of India Limited

..Petitioner

Vs

1. Madhya Pradesh State Electricity Board, Jabalpur
2. Maharashtra State Electricity Board, Mumbai
3. Gujarat Electricity Board, Baroda
4. Electricity Deptt., Government of Goa, Panaji
5. Electricity Deptt., Administration of Daman & Diu, Daman
6. Electricity Deptt., Administration of Dadra Nagar Haveli, Silvassa
7. Chhattisgarh State Electricity Board, Raipur

..Respondents

The following were present:

1. Shri U.K. Tyagi, PGCIL
2. Shri C. Kannan, PGCIL
3. Shri P.C. Pankaj, PGCIL
4. Shri Prashant Sharma, PGCIL
5. Shri J Mazumder, PGCIL
6. Shri Rakesh Prasad, PGCIL
7. Shri. A.K. Nagpal, PGCIL
8. Shri Kashish Bhambhani, PGCIL
9. Shri A.V.S. Ramesh, PGCIL
10. Shri Deepak Shrivastava, MPPTC

**ORDER
(DATE OF HEARING: 24.8.2006)**

The petition has been filed for approval of transmission charges for Fixed and Thyristor Controlled Series Compensation for 400 kV D/C Raipur- Rourkela Transmission Line at Raipur (the transmission assets) in Western Region for the period from 1.11.2004 to 31.3.2009, based on the Central Electricity Regulatory

Commission (Terms and Conditions of Tariff) Regulations, 2004, (hereinafter referred to as “the 2004 regulations”) after accounting for additional capital expenditure of Rs.750.81 lakh from 1.11.2004 to 31.3.2005 and Rs.13.21 lakh from 1.4.2005 to 30.6.2005. The petitioner has also prayed for reimbursement of the filing fee. The petitioner, vide its affidavit dated 20.1.2006, has prayed for reimbursement of Rs. 1,44,339/- from the beneficiaries the expenditure incurred in publishing of notices in the newspapers under Section 64 of the Electricity Act, 2003 (the Act).

2. The investment approval for the transmission assets was originally accorded by the Board of Directors of the petitioner company under Memorandum dated 14.5.2002 at an estimated cost of Rs.9690 lakh, including IDC of Rs.699 lakh. The approval for the revised cost estimates in respect of the transmission assets was accorded by the Board of Directors of the petitioner company vide letter dated 1.9.2005 at an estimated cost of Rs. 12793 lakh, including IDC of Rs. 507 lakh based on 3rd quarter of 2004 price level. Date of commercial operation of the transmission assets is 1.11.2004. As per the investment approval, the project was to completed within 24 months i.e. by January 2005.

3. Provisional tariff in respect of the transmission assets was awarded vide the Commission’s Order dated 26.5.2005 in I.A. No. 3/2005.

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

(Rs. in lakh)

	2004-05 (1.11.2004 to 31.3.2005)	2005-06	2006-07	2007-08	2008-09
Depreciation	180.17	444.68	444.68	444.68	444.68
Interest on Loan	286.46	694.55	673.37	623.41	565.52
Return on Equity	196.28	523.62	523.62	523.62	523.62
Advance against Depreciation	0.00	0.00	0.00	0.00	0.00
Interest on Working Capital	18.72	47.23	47.86	48.05	48.16
O & M Expenses	75.34	193.90	201.65	209.72	218.11
Total	756.97	1903.98	1891.19	1849.49	1800.09

5. The details submitted by the petitioner in support of its claim for interest on working capital are given hereunder:

(Rs. in lakh)

	2004-05 (1.11.2004 to 31.3.2005)	2005-06	2006-07	2007-08	2008-09
Maintenance Spares	120.54	127.31	134.94	143.04	151.62
O & M expenses	15.07	16.16	16.80	17.48	18.18
Receivables	302.79	317.33	315.20	308.25	300.01
Total	438.39	460.79	466.95	468.76	469.81
Rate of Interest	10.25%	10.25%	10.25%	10.25%	10.25%
Interest	18.72	47.23	47.86	48.05	48.16

6. Madhya Pradesh State Electricity Board, Gujarat Urja Vikas Nigam Ltd and Maharashtra State Electricity Board filed reply in response to the Petition. No other respondent filed any reply. No suggestion or comments have been received in response to the public notices published in the newspapers by the petitioner under Section 64 of the Act.

CAPITAL COST

7. Clause (1) of Regulation 52 of the 2004 regulations provides that "subject to prudence check by the Commission, the actual expenditure incurred on completion of the project forms the basis for determination of final tariff. The final tariff is to be determined based on the admitted capital expenditure actually incurred up to the date of commercial operation of the transmission system and

includes capitalized initial spares subject to a ceiling norm as 1.5% of original project cost.

8. "Original project cost" referred to in Regulation 52(1) has been defined in Clause (XIV) of Regulation 49 of the 2004 regulations as under:

'Original Project Cost' means the actual expenditure incurred by the transmission licensee, as per the original scope of project up to first financial year closing after one year of the date of commercial operation of the last element as admitted by the Commission for the purpose of tariff;

9. The petitioner has claimed the following capital cost for determination of tariff:

Expenditure up to the date of commercial operation. 1.11.2004	Rs.11678.36 lakh
Gross block on the date of commercial operation	Rs.11678.36 lakh
Additional Capital Expenditure from the date of commercial operation to 31.3.2005 (Audited Accounts)	Rs. 750.81 lakh
Gross block as on 31.3.2005	Rs.12429.17 lakh
Additional Capital Expenditure from 1.4.2005 to 30.6.2005 (Provisional accounts)	Rs. 13.21 lakh
Estimated completion cost (Initial spares included is Rs. 424.35 lakh)	Rs.12442.38 lakh

Additional Capital Expenditure 2004-05

10. Regulation 53 of the 2004 regulations contains the following provision with regard to additional capitalisation:

"(1) The following capital expenditure within the original scope of work actually incurred after the date of commercial operation and up to the cut off date may be admitted by the Commission, subject to prudence check:

- (i) Deferred liabilities;
- (ii) Works deferred for execution;
- (iii) Procurement of initial capital spares in the original scope of works subject to the ceiling norm specified in regulation 52;
- (i) Liabilities to meet award of arbitration or compliance of the order or decree of a court; and
- (ii) On account of change in law.

Provided that original scope of work along with estimates of expenditure shall be submitted along with the application for provisional tariff.

Provided further that a list of the deferred liabilities and works deferred for execution shall be submitted along with the application for final tariff after the date of commercial operation of the transmission system.

Note 1

Any expenditure admitted on account of committed liabilities within the original scope of work and the expenditure deferred on techno-economic grounds but falling within the original scope of work shall be serviced in the normative debt-equity ratio specified in regulation 54”.

11. The details submitted by the petitioner in support of its claim for additional capital expenditure are given hereunder:

Year	Amount (Rs. in lakh)
2004-05 (Audited accounts)	750.81
2005-06 (Provisional accounts)	13.21
Total	764.02

12. The petitioner has submitted that the capital expenditure after the date of commercial operation is on account of balance payments and payments on balance works within the scope of the approved project cost. The expenditure of Rs. 750.81 lakh during 2004-05 includes initial spares worth Rs. 19.19 lakh.

13. As the expenditure for the period 1.4.2005 to 30.6.2005 is not based on audited accounts, capitalisation of this expenditure has not been considered. The petitioner is granted liberty to approach the Commission for revision of tariff based on the audited expenditure. The expenditure of Rs.750.81 lakh for the period 1.11.2004 to 31.3.2005 is found to be in order. However, the capital cost being considered for the purpose of tariff is subject to discussion in the succeeding paras on the cost of initial spares.

14. On scrutiny of the details submitted by the petitioner, it is found that value of initial spares is Rs. 424.35 lakh which works out to about 3.41% of the project cost of Rs. 12429.17 lakh, as on 31.3.2005 being considered presently. However, the cost of initial spares is to be restricted to 1.5% of the capital cost as on 31.3.2005 claimed by the petitioner. At the hearing, the representative for the petitioner prayed for relaxation of norm for initial spares laid down under clause (1) of Regulation 52 of the 2004 regulations on the ground that the initial spares limited to 1.5% of the project cost are inadequate to meet requirements of the transmission assets. The petitioner is at liberty to make appropriate application with proper justification for amendment of the relevant provisions. The amendment proposed by the petitioner, if notified, if otherwise found to be in order will apply prospectively.

15. The project cost, excluding the cost of initial spares works out to Rs. 12004.82 lakh (Rs.12429.17 lakh-Rs.424.35 lakh). Accordingly, for the purpose of computation of tariff, the following cost is being considered:

Capital cost = Rs. 12004.82 lakh + 1.5% of capital cost as on 31.3.2005 on account of initial spares

i.e. capital cost -1.5% of capital cost = Rs. 12004.82 lakh

i.e. 98.5% of capital cost = Rs. 12004.82 lakh

Therefore, capital cost is Rs. 12004.82 lakh /0.985 = Rs.12187.64 lakh

16. The project cost as on 31.3.2005 inclusive of initial spares equivalent to 1.5% of the project cost as on 31.3.2005 is Rs. 12187.64 lakh. Value of initial spares admissible in terms of Regulation 52(1) works out to Rs. 181.82 lakh which

is 1.5% of Rs. 12187.64 lakh and has been allowed as on the date of commercial operation and thereafter no allowance shall be admissible on that account.

17. As per the CA's certificate, the gross block as on the date of commercial operation is Rs. 11678.36 lakh which includes Rs. 405.16 lakh on account of initial spares. Restricting the cost of initial spares to the maximum admissible limit of Rs. 182.82 lakh, gross block as on the date of commercial operation is worked out as Rs. 11456.02 lakh (Rs. 11678.36 lakh- Rs. 405.16 lakh + Rs. 182.82 lakh).

18. Gross block as on 31.3.2005 has been claimed as Rs 12,429.17 lakh which includes Rs. 424.35 lakh on account of the cost of initial spares. Restricting the cost of initial spares to the maximum admissible limit of Rs. 182.82 lakh, the gross block as on 31.3.2005 is worked out as Rs. 12187.66 lakh (Rs.12429.17 lakh –Rs. 424.35 lakh + Rs. 182.82 lakh).

Total capital cost

19. Against the above background, gross block of Rs. 12187.64 lakh as on 1.4.2005 has been worked out for the purpose of tariff over the gross block of Rs. 11456.02 lakh as on the date of commercial operation.

DEBT- EQUITY RATIO

20. Clause (2) of Regulation 54 of the 2004 regulations, as amended, provides that,-

“(2) In case of the transmission system for which investment approval was accorded prior to 1.4.2004 and which is likely to be declared under commercial operation during the period 1.4.2004 to 31.3.2009, debt-equity in the ratio of 70:30 shall be considered:

Provided that where deployment of equity is less than 30%, the actual equity deployed shall be considered for the purpose of determination of tariff.

Provided further that the Commission may in appropriate case consider equity higher than 30% for the purpose of determination of tariff, where the transmission licensee is able to establish to the satisfaction of the Commission that deployment of equity more than 30% was in the interest of general public;

21. The Note 1 below Regulation 53 lays down that any expenditure on account of committed liabilities within the original cope of work is to be serviced in the normative debt-equity ratio specified in Regulation 54.

22. The petitioner has considered debt-equity ratio of 74.40:25.60, as on the date of commercial operation. The petitioner has further considered entire amount of additional capitalization against equity. We have considered the actual debt-equity ratio of 74.40:25.60 as on the date of commercial operation as the base. The additional capitalization on works of Rs. 731.62 lakh has been segregated into debt and equity in the normative debt-equity ratio of 70:30 in accordance with Note 1 below Regulation 53. Accordingly, for the purpose of tariff, an amount of Rs. 2932.45 lakh has been considered as equity as on 1.11.2004 and Rs. 3151.93 lakh as on 1.4.2005. The resultant debt-equity ratio as on 1.4.2005 works out to 74.14:25.86.

RETURN ON EQUITY

23. As per clause (iii) of Regulation 56 of the 2004 regulations, return on equity shall be computed on the equity base determined in accordance with regulation

54 @ 14% per annum. Equity invested in foreign currency is to be allowed a return in the same currency and the payment on this account is made in Indian Rupees based on the exchange rate prevailing on the due date of billing.

24. The petitioner has claimed return on equity of Rs.3740.17 lakh after considering the entire additional capitalization to have been financed out of equity. For the reasons given in para 22 above equity of Rs. 2932.45 lakh has been considered as on 1.11.2004 and from 1.4.2005 onwards, equity of Rs. 3151.93 lakh has been considered each year. However, tariff for the period 1.11.2004 to 31.3.2005 has been allowed on average equity of Rs. 3042.19 lakh. Accordingly, the petitioner shall be entitled to return on equity of Rs. 177.46 lakh during 2004-05 and Rs. 441.27 lakh each year during 2005-09.

INTEREST ON LOAN

25. Clause (i) of regulation 56 of the 2004 regulations, *inter alia* provides that,-
- (a) Interest on loan capital shall be computed loan wise on the loans arrived at in the manner indicated in regulation 54.
 - (b) The loan outstanding as on 1.4.2004 shall be worked out as the gross loan in accordance with Regulation 54 minus cumulative repayment as admitted by the Commission or any other authority having power to do so, up to 31.3.2004. The repayment for the period 2004-09 shall be worked out on a normative basis.
 - (c) The transmission licensee shall make every effort to re-finance the loan as long as it results in net benefit to the beneficiaries. The costs associated with such re-financing shall be borne by the beneficiaries.
 - (d) The changes to the loan terms and conditions shall be reflected from the date of such re-financing and benefit passed on to the beneficiaries.
 - (e) In case of dispute, any of the parties may approach the Commission with proper application. However, the beneficiaries shall not withhold any payment ordered by the Commission to the transmission licensee during pendency of any dispute relating to re-financing of loan;

(f) In case any moratorium period is availed of by the transmission licensee, depreciation provided for in the tariff during the years of moratorium shall be treated as repayment during those years and interest on loan capital shall be calculated accordingly.

(g) The transmission licensee shall not make any profit on account of re-financing of loan and interest on loan;

(h) The transmission licensee may, at its discretion, swap loans having floating rate of interest with loans having fixed rate of interest, or vice versa, at its own cost and gains or losses as a result of such swapping shall accrue to the transmission licensee:

Provided that the beneficiaries shall be liable to pay interest for the loans initially contracted, whether on floating or fixed rate of interest.”

26. The petitioner has considered actual loan as on the date of commercial operation as notional loan and has not considered funding the additional capitalisation out of loan. On the basis of actual rate of interest on actual average loan, the weighted average rate of interest on loan has been worked out by the petitioner for various years and the weighted average rate of interest on loan for respective years as per above has been multiplied to arrive at interest on loan. Further, the petitioner has separately worked out interest on depreciation amount on the initial year being moratorium on loan repayment (from the date of commercial operation till 31.3.2005) with weighted average rate of interest on loan for that year. This amount has been deducted from the interest on loan worked out for the year 2004-05 [from the date of commercial operation].

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

(a) Gross amount of loan, repayment of instalments as per the loan allocation statement up to 2004-05 prepared on the basis of loan allocation details submitted by the petitioner and rate of interest on the date of

commercial operation as given in the petition have been used to work out weighted average rate of interest on actual loan.

(b) Gross loan as per loan reconciliation is being considered as gross loan as on the date of commercial operation.

(c) Capital expenditure on the date of commercial operation has been segregated in loan and equity as on the date of commercial operation. Therefore, adjusted gross loan on the date of commercial operation has considered as normative loan for tariff calculations.

(d) Tariff has been worked out considering normative loan and normative repayments. Once the normative loan is arrived at, it is considered for all purposes in the tariff. Normative repayment is worked out by the following formula :

$$\frac{\text{Actual repayment of actual loan during the year}}{\text{Opening balance of actual loan during the year}} \times \text{Opening balance of normative loan during the year}$$

(e) Moratorium in repayment of loan is considered with reference to normative loan and if the normative repayment of loan during the year is less than the depreciation including AAD during the year, then depreciation including AAD during the year is deemed as normative repayment of loan during the year.

(f) Weighted average rate of interest on actual loan worked out as above has been applied on the notional average loan during the year to arrive at the interest on loan.

28. Based on the above, year-wise details of interest worked out are given hereunder:

Description	(Rs. in lakh)				
	2004-05 (1.11.2004 to 31.3.2005)	2005-06	2006-07	2007-08	2008-09
Duration (as part of year)	0.41667	1.00	1.00	1.00	1.00
Opening Gross Loan	8523.57	9035.71	9035.71	9035.71	9035.71
Cumulative Repayment	0.00	176.69	612.68	1084.54	1786.73
Net Loan-Opening	8523.57	8859.02	8423.03	7951.16	7248.98
Additions due to Additional Capitalisation	512.13	-	-	-	-
Repayment during the year	176.69	435.99	471.87	702.18	702.18
Net Loan-Closing	8859.02	8423.03	7951.16	7248.98	6546.80
Average Loan	8691.29	8641.02	8187.10	7600.07	6897.89
Weighted Average Rate of Interest on Loan	7.9952%	7.9949%	7.9760%	7.9546%	7.9505%
Interest	289.54	690.84	653.01	604.56	548.42

DEPRECIATION

29. Sub-clause (a) of clause (ii) of Regulation 56 of the 2004 regulations provides for computation of depreciation in the following manner, namely:

- (i) The value base for the purpose of depreciation shall be the historical cost of the asset.
- (ii) Depreciation shall be calculated annually based on straight line method over the useful life of the asset and at the rates prescribed in Appendix II to these regulations. The residual value of the asset shall be considered as 10% and depreciation shall be allowed up to maximum of 90% of the historical capital cost of the asset. Land is not a depreciable asset and its cost shall be excluded from the capital cost while computing 90% of the historical cost of the asset. The historical capital cost of the asset shall include additional capitalisation on account of Foreign

Exchange Rate Variation up to 31.3.2004 already allowed by the Central Government/Commission.

(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.

30. The petitioner has been claimed the depreciation on the capital cost of Rs.11456.02 lakh as on 1.11.2004 and at a capital cost of Rs. 12187.64 lakh as on 1.4.2005 and the subsequent years.

31. The gross depreciable value of the transmission line is $0.9 \times (\text{Rs.}11456.02 \text{ lakh}) = \text{Rs.}10310.42 \text{ lakh}$.

32. Depreciation works out to Rs. 176.69 lakh for the period 1.11.2004 to 31.3.2005 on average gross block of Rs. 11821.83 lakh and Rs. 435.99 lakh on the gross block of Rs. 12187.64 lakh each year by applying rate of depreciation of 3.5871% and 3.5773% respectively as shown below:

(Rs. in lakh)					
Details of Depreciation	2004-05 (1.11.2004 to 31.3.2005)	2005-06	2006-07	2007-08	2008-09
Gross block at the beginning of the period	11456.02	12187.64	12187.64	12187.64	12187.64
Additional Capitalisation during the	731.62	0.00	0.00	0.00	0.00

period					
Gross Block at the end of the period	12187.64	12187.64	12187.64	12187.64	12187.64
Rate of Depreciation	3.5871%	3.5773%	3.5773%	3.5773%	3.5773%
Depreciable Value (90%)	10310.42	10968.88	10968.88	10968.88	10968.88
Balance Useful life of the asset	-	-	-	-	-
Remaining Depreciable Value	10310.42	10792.18	10356.20	9884.33	9182.15
Depreciation	176.69	435.99	435.99	435.99	435.99

ADVANCE AGAINST DEPRECIATION

33. As per sub-clause (b) of clause (ii) of Regulation 56 of the 2004 regulations, in addition to allowable depreciation, the transmission licensee is entitled to Advance Against Depreciation, computed in the manner given hereunder:

AAD = Loan repayment amount as per regulation 56 (i) subject to a ceiling of 1/10th of loan amount as per regulation 54 minus depreciation as per schedule.

34. It is provided that Advance Against Depreciation shall be permitted only if the cumulative repayment up to a particular year exceeds the cumulative depreciation up to that year. It is further provided that Advance Against Depreciation in a year shall be restricted to the extent of difference between cumulative repayment and cumulative depreciation up to that year.

35. The petitioner has claimed Advance Against Depreciation in the following manner:

- (a) 1/10th of gross loan is worked out from the Gross Notional Loan.
- (b) Cumulative loan as well as repayment of notional loan during the year has been considered.
- (c) Depreciation as claimed in the petition.

36. Accordingly, Advance against depreciation has been calculated as detailed below:

- (a) 1/10th of gross loan is worked out from the gross notional loan as per para 28 above.
- (b) Repayment of notional loan during the year is considered as per para 28 above.
- (c) Depreciation is worked out as per para 32 above.

37. Based on the above, details of the calculation of the Advance against depreciation is as under:

Description	(Rs. In lakh)				
	2004-05	2005-06	2006-07	2007-08	2008-09
	0.41667	1.00	1.00	1.00	1.00
1/10th of Gross Loan(s)	852.36	903.57	903.57	903.57	903.57
Repayment of the Loan	176.69	435.99	471.87	702.18	702.18
Minimum of the above	176.69	435.99	471.87	702.18	702.18
Depreciation during the year	176.69	435.99	435.99	435.99	435.99
(A) Difference	0.00	0.00	35.88	266.20	266.20
Cumulative Repayment of the Loan	176.69	612.68	1084.54	1786.73	2488.91
Cumulative Depreciation/ Advance against Depreciation	176.69	612.68	1048.66	1520.53	2222.71
(B) Difference	0.00	0.00	35.88	266.20	266.20
Advance against Depreciation Minimum of (A) and (B)	0.00	0.00	35.88	266.20	266.20

OPERATION & MAINTENANCE EXPENSES

38. In accordance with clause (iv) of Regulation 56 the 2004 regulations, the following norms are prescribed for O & M expenses:

	Year				
	2004-05	2005-06	2006-07	2007-08	2008-09
O&M expenses (Rs in lakh per ckt-km)	0.227	0.236	0.246	0.255	0.266
O&M expenses (Rs in lakh per bay)	28.12	29.25	30.42	31.63	32.90

39. In respect of the transmission assets covered in the present petition total there are 4 bays. Accordingly, the petitioner's entitlement to O & M expenses has been worked out as given hereunder:

(Rs. in lakh)

	Year				
	2004-05 (1.11.2004 to 31.3.2005)	2005-06	2006-07	2007-08	2008-09
O&M expenses for 4 bays	46.87	117.00	121.68	126.52	131.60
Total	46.87	117.00	121.68	126.52	131.6

40. The petitioner has submitted that the wage revision of its employees is due with effect from 1.1.2007. Therefore, according to the petitioner, O & M expenses should be subject to revision on account of revision of employee cost from that date. In the alternative, it has been prayed that the increase in employee cost due to wage revision be allowed as per actuals for extra cost to be incurred consequent to wage revision. We are not expressing any view, as this issue does not arise for consideration at this stage. The petitioner may approach for a relief in this regard at an appropriate stage in accordance with law.

INTEREST ON WORKING CAPITAL

41. The components of the working capital and the interest thereon are discussed hereunder:

(a) **Maintenance spares**

Regulation 56(v)(1)(b) of the 2004 regulations provides for maintenance spares @ 1% of the historical cost escalated @ 6% per annum from the date of commercial operation. Historical cost of 11456.02 lakh as on 1.11.2004 has been considered for the purpose of the present

petition and maintenance spares have been worked out accordingly by escalating 1% of the historical cost @ 6% per annum.

(i) O & M expenses

Regulation 56(v)(1)(a) of the 2004 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.

(iii) Receivables

As per Regulation 56(v)(1)(c) of the 2004 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. In the tariff being allowed, receivables have been worked out on the basis of 2 months' transmission charges.

(iv) Rate of interest on working capital

As per Regulation 56(v)(2) of the 2004 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 1.4.2004 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. In the instant the assets have been declared under commercial operation with effect from 1.11.2004. Accordingly, the Prime Lending Rate of the State Bank of India as on 1.4.2004 has been considered for the working out the rate of interest on working capital. 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.

42. The necessary computations in support of interest on working capital are appended hereinbelow.

(Rs. in lakh)

	2004-05 (1.11.2004 to 31.3.2005)	2005-06	2006-07	2007-08	2008-09
Maintenance Spares	114.56	117.42	124.47	131.94	139.85
O & M expenses	9.37	9.75	10.14	10.54	10.97
Receivables	283.18	287.94	288.53	320.33	311.82
Total	407.11	415.12	23.14	62.81	462.64
Rate of Interest	10.25%	10.25%	10.25%	10.25%	10.25%
Interest	17.39	42.55	43.37	47.44	47.42

TRANSMISSION CHARGES

43. A summary sheet showing basic details of capital cost and other related aspects is annexed to this order. The transmission charges being allowed for the transmission assets are summarised below.

(Rs. in lakh)

	2004-05 (1.11.2004 to 31.3.2005)	2005-06	2006-07	2007-08	2008-09
Depreciation	176.69	435.99	435.99	435.99	435.99
Interest on Loan	289.54	690.84	653.01	604.56	548.42
Return on Equity	177.46	441.27	441.27	441.27	441.27
Advance against Depreciation	0.00	0.00	35.88	266.20	266.20
Interest on Working Capital	17.39	42.55	43.37	47.44	47.42
O & M Expenses	46.87	117.00	121.68	126.52	131.60
Total	707.94	1727.65	1731.19	1921.97	1870.89

44. The petitioner has sought approval for the reimbursement of expenditure of Rs. 1,44,339/- incurred on publication of notices in the newspapers. The petitioner shall claim reimbursement of the said expenditure directly from the respondents in one installment in the ratio applicable for sharing of transmission charges. A final view on reimbursement of filing fee is yet to be taken by the Commission for which views of the stakeholder have been called for. The view

taken on consideration of the comments received shall apply in the present case as regards reimbursement of filing fee.

45. In addition to the transmission charges, the petitioner shall be entitled to other charges like income-tax, incentive, surcharge and other cess and taxes in accordance with the 2004 regulations. These transmission charges shall be included in the regional transmission tariff and shall be shared by the regional beneficiaries in accordance with the 2004 regulations.

46. The petitioner is already billing the respondents on provisional basis in terms of the Commission's order dated 26.5.2005 in I.A. No.3/2005. The provisional charges already claimed shall be adjusted against the tariff now approved.

47. This order disposes of Petition No.11/2005.

Sd-/
(A.H. JUNG)
MEMBER

sd-/
(BHANU BHUSHAN)
MEMBER

sd-/
(ASHOK BASU)
CHAIRPERSON

New Delhi dated the 27th October 2006

S
Summary Sheet

Name of the Company:		PGCIL		
Name of the Element:		Fixed and Thyristor Controlled Series Compensation for 400 KV D/C Raipur- Rourkela Transmission Line at Raipur in Western Region		
Actual DOCO:		1.11.2004		
Petition No.:		11/2005		
Tariff setting Period:		2004-09		
(Rs.in lakh)				
1	Adjusted Capital Cost of the Project as on date of commercial operation			11456.02
2	Adjusted Additional Capitalisation			731.62
	For the year 2004-05		731.62	
	Total		731.62	
3	Total Adjusted Capital Cost as on 1.4.2005 (1+2)			12187.64
4	Means of Finance :			
	Debt	74.14%	9035.71	
	Equity	25.86%	3151.93	
	Total	100.00%	12187.64	
5	Adjusted Gross Loan			9035.71
	As on date of commercial operation		8523.57	
	Notional Loan corresponding to ACE during 2004-05		512.13	
	Total		9035.71	
6	Cumulative Repayment up to 31.3.2009 :			2488.91
	Up to date of commercial operation		0.00	
	From date of commercial operation to 31.3.2009		2488.91	
	Total		2488.91	
7	Balance Loan to be repaid beyond 31.3.2009 :			6546.80
8	Depreciation recovered up to 31.3.2009 :			2488.91
		Dep	AAD	Total
	From date of commercial operation to 31.3.2009	1920.64	568.27	2488.91
	Total			2488.91
9	Balance Depreciation to be recovered beyond 31.3.2009 :			8479.97
	Capital cost for the purpose of Depreciation			11456.02
	ACE during 2004-05			731.62
	Capital cost as 1.4.2005			12187.64
	Less: Land Cost			0.00
				12187.64
	90% of Capital Cost as above			10968.88
	Cum. Depreciation to be recovered up to 31.3.2009			2488.91
	Balance Depreciation to be recovered beyond 31.3.2009			8479.97