

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Coram:

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

**I.A.No. 1/2007 in
Petition No.102/2005**

In the matter of

Approval of transmission charges for LILO of 220 kV Panki-Naubasta transmission line at Kanpur sub-station in Northern Region for the period from 1.4.2004 to 31.3.2009

And in the matter of

Power Grid Corporation of India Limited

..Petitioner

Vs

1. Rajasthan Rajya Vidyut Prasaran Nigam Ltd, Jaipur
2. Ajmer Vidyut Vitaran Nigam Ltd., Ajmer
3. Jaipur Vidyut Vitaran Nigam Ltd, Jaipur
4. Jodhpur Vidyut Vitaran Nigam Ltd, Jodhpur
5. Himachal Pradesh State Electricity Board, Shimla
6. Punjab State Electricity Board, Patiala
7. Haryana Vidyut Prasaran Nigam Ltd, Panchkula
8. Power Development Department, Govt. of J&K, Srinagar
9. Uttar Pradesh Power Corporation Ltd., Lucknow
10. Delhi Transco Ltd, New Delhi
11. Chandigarh Administration, Chandigarh
12. Uttranchal Power Corporation Ltd, Dehradun
13. North Central Railway, Allahabad

.....Respondents

ORDER

The Commission by its order dated 28.4.2006 had allowed tariff for LILO of 220 kV Panki-Naubasta transmission line at Kanpur sub-station in Northern Region for the period from 1.4.2004 to 31.3.2009.

2. The Commission in its said order dated 28.4.2006, had not considered additional capitalization during 2004-05 amounting to Rs. 8.18 lakh claimed by the

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petitioner. The tariff for the block years 2004-09 was worked out on the basis of gross block of Rs.805.87 lakh as on 1.4.2004 since by the time the petitioner had not furnished the details of loan reconciliation for the year 2004-05. The petitioner was granted liberty to approach the Commission for revision of tariff for period 2004-09 in accordance with law based on additional capital expenditure incurred during 2004-05.

3. Through this Interlocutory application, petitioner has prayed for revision of tariff based on additional capitalization incurred during 2004-05.

CAPITAL COST

4. The petitioner has claimed tariff based on capital cost of Rs. 814.05 lakh after accounting for additional capitalization of Rs. 8.18 lakh for the period from 1.4.2004 to 31.3.2005 over the capital expenditure of Rs. 805.87 lakh considered in the order dated 21. 6.2005 in petition No. 60/2003.

ADDITIONAL CAPITALIZATION -2004-05

5. Clause (1) of Regulation 53 of the 2004 regulations provides-

“(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;
- (iv) Liabilities to meet award of arbitration or compliance of the order or decree of a court; and
- (v) 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.”

6 The details submitted by the petitioner in support of its claim for additional capital expenditure of Rs. 8.18 lakh for the period 1.4.2004 to 31.3.2005 are given hereunder:

Year	Amount (Rs. in lakh)	Nature of expenditure
2004-05	8.18	Supply and erection work for PLCC

7. The additional capital expenditure claimed is within the original scope of work and found to be in order as it was against the committed liability. Accordingly, the additional capital expenditure of Rs. 8.18 lakh as claimed has been allowed.

DEBT- EQUITY RATIO

8. Clause (1) of Regulation 54 of the 2004 regulations *inter alia* provides that,-

“(1) In case of the existing projects, debt–equity ratio Considered by the Commission for fixation of tariff for the period ending 31.3.2004 shall be considered for determination of tariff with effect from 01.04.2004:

Provided that in cases where the tariff for the period ending 31.3.2004 has not been determined by the Commission, debt-equity ratio shall be as may be decided by the Commission:

Provided further that in case of the existing projects where additional capitalisation has been completed on or after 1.4.2004 and admitted by the Commission under Regulation 53, equity in the additional capitalisation to be considered shall be :-

- (a) 30% of the additional capital expenditure admitted by the Commission, or
 - (b) equity approved by the competent authority in the financial package, for additional capitalisation, or
 - (c) actual equity employed,
- whichever is the least:

Provided further that in case of additional expenditure admitted under the second proviso, the Commission may considered equity of more than 30% if the transmission licensee is able to satisfy the Commission that deployment of such equity of more than 30% was in the interest of general public.

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

10. The petitioner has claimed tariff based on debt-equity ratio of 22.21:77.79 as considered by the Commission in its order dated 21.6.2005. The petitioner has further considered the entire amount of additional capitalization against equity. The approved debt-equity ratio as indicated by the petitioner is 79:21. The additional capital expenditure of Rs. 8.18 lakh for the year 2004-05 has been segregated in the debt-equity ratio of 79:21. Accordingly, an amount of Rs. 6.46 lakh has been aggregated to loan and Rs. 1.72 lakh to equity. For the purpose of tariff, an amount of Rs.628.59 lakh has been considered as equity as on 1.4.2005. The resultant debt-equity ratio works out to 22.78:77.22. Base on this, the tariff approved under order dated 28.4.2006 is being revised.

RETURN ON EQUITY

11. The petitioner has claimed return on equity of Rs. 635.05 lakh, which includes equity amounting to Rs. 8.18 lakh, on account of capital expenditure incurred from 1.4.2004 to 31.3.2005. For the reasons recorded in para 10 above equity of Rs. 626.87 lakh has been considered as on 1.4.2004 and from 1.4.2005 onwards, equity of Rs. 628.59 lakh has been considered each year. However, tariff for the year 1.4.2004 to 31.3.2005 has been allowed on average equity of Rs. 627.73 lakh. Accordingly, the petitioner shall be entitled to return on equity of Rs. 87.88 lakh during 2004-05 and Rs.88.00 lakh each year during 2005-09.

INTEREST ON LOAN

12. Based on the revised capital cost, the year-wise details of interest on loan worked out are given hereunder:

(Rs. in lakh)

Details of loan	Up to 31.3.2004	2004-05	2005-06	2006-07	2007-08	2008-09
Interest on Loan						
Gross loan as per order dated 28.4.2006	179.00					
Gross Normative Loan		179.00	185.46	185.46	185.46	185.46
Addition due to additional capitalization	0.00	6.46	0.00	0.00	0.00	0.00
Cumulative Repayment up to Previous Year		0.00	23.35	46.94	70.54	94.13
Net Loan-Opening		179.00	162.11	138.52	114.93	91.33
Repayment during the year		23.35	23.59	23.59	23.59	23.59
Net Loan-Closing		162.11	138.52	114.93	91.33	67.74
Average Loan		170.56	150.32	126.72	103.13	79.54
Weighted Average Rate of Interest on Loan		8.6300%	8.6300%	8.6300%	8.6300%	8.6300%
Interest		14.72	12.97	10.94	8.90	6.86

DEPRECIATION

13. Depreciation works out to Rs. 23.35 lakh for the year 2004-05 on average gross block of Rs .809.96 lakh and Rs. 23.59 lakh on gross block of Rs. 814.05 lakh each year by applying rate of depreciation of 2.8826% and 2.8983%, respectively as shown below:

(Rs. in lakh)

Details of Depreciation		2004-05	2005-06	2006-07	2007-08	2008-09
As per order dated 28.4.2006		805.87				
Additions during 2004-05 due to Additional Capitalisation		8.18				
Gross Block at the end of the year		814.05	814.05	814.05	814.05	814.05
Rate of Depreciation		2.8826%	2.8983%			
Depreciable Value	90%	725.28	732.65	732.65	732.65	732.65
Balance Useful life of the asset		-	-	-	-	-
Remaining Depreciable Value		713.73	697.75	674.15	650.56	626.97
Depreciation		23.35	23.59	23.59	23.59	23.59

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ADVANCE AGAINST DEPRECIATION

14. The petitioner is not entitled to Advance Against Depreciation.

OPERATION & MAINTENANCE EXPENSES

15. There is no change in O & M expenses approved under order dated 28.4.2006.

INTEREST ON WORKING CAPITAL

16. The revised computations in support of interest on working capital consequent to increase in return on equity, interest on loan and depreciation are appended hereinbelow.

	(Rs. in lakh)				
	2004-05	2005-06	2006-07	2007-08	2008-09
Maintenance Spares	8.30	8.80	9.33	9.89	10.48
O & M expenses	5.25	5.46	5.68	5.90	6.14
Receivables	32.27	32.48	32.59	32.72	32.87
Total	45.82	46.74	47.60	48.51	49.50
Rate of Interest	10.25%	10.25%	10.25%	10.25%	10.25%
Interest	4.70	4.79	4.88	4.97	5.07

TRANSMISSION CHARGES

17. A summary sheet showing revised basic details of capital cost and other related aspects is annexed to this order. The revised transmission charges being allowed for the transmission line in suppression of the transmission charges approved under order dated 28.4.2006 are summarised below.

	(Rs. In lakh)				
	2004-05	2005-06	2006-07	2007-08	2008-09
Depreciation	23.35	23.59	23.59	23.59	23.59
Interest on Loan	14.72	12.97	10.94	8.90	6.86
Return on Equity	87.88	88.00	88.00	88.00	88.00
Advance against Depreciation	0.00	0.00	0.00	0.00	0.00
Interest on Working Capital	4.70	4.79	4.88	4.97	5.07
O & M Expenses	62.99	65.51	68.15	70.84	73.71
Total	193.64	194.87	195.56	196.31	197.24

18. In all other respects the order dated 28.4.2006 shall continue to apply.

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19. This order disposes of I.A.No.1/2007.

Sd-/
(A.H. JUNG)
MEMBER

New Delhi dated the 22nd January 2007

sd-/
(BHANU BHUSHAN)
MEMBER

sd-/
(ASHOK BASU)
CHAIRPERSON

SUMMARY SHEET

Name of the Company:			PGCIL			
Name of the Element:			LILO of 220 kV S/C Panki-Naubasta Line in Northern Region			
Actual DOCO:			1.10.2003			
Petition No.:			102/2005			
Tariff setting Period:			2004-09			
(Rs.in lakh)						
1	Admitted Capital Cost as on 1.4.2004 for the tariff period 2004-05					805.87
2	Additional Capitalisation					8.18
		For the year 2004-05			8.18	
		Total			8.18	
3	Total Capital Cost as on 1.4.2005(1+2)					814.05
4	Means of Finance :					
		As on 1.4.2004		As on 1.4.2005		
	Debt	22.21%	179.00	22.78%	185.46	
	Equity	77.79%	626.87	77.22%	628.59	
	Total	100.00%	805.87	100.00%	814.05	
5	Gross Loan					
		As on 1.4.2004	179.00	As on 1.4.2005	185.46	
	Cumulative Repayment up to 31.3.2009 :					117.72
		Repaid up to 31.3.2004			0.00	
		Repaid from 1.4.2004 to 31.3.2005			23.35	
		1.4.2005 to 31.3.2009			94.37	
		Total			117.72	
6	Balance Loan to be repaid beyond 31.3.2009 :					67.74
7	Depreciation recovered up to 31.3.2009 :					129.27
			Dep	AAD	Total	
		Recovered up to 31.3.2004	11.55	0.00	11.55	
		Recovered from 1.4.2004 to 31.3.2005	23.35	0.00	23.35	
		1.4.2005 to 31.3.2009	94.37	0.00	94.37	
		Total			129.27	
8	Balance Depreciation to be recovered beyond 31.3.2009 :					603.37
		Capital cost as on 1.4.2004			805.87	
		ACE during 2004-05			8.18	
		Capital cost as on 1.4.2005			814.05	
		Less: Land Cost			0.00	
					814.05	
		90% of Capital Cost as above			732.65	
		Cum. Depreciation to be recovered up to 31.3.2009			129.27	
		Balance Depreciation to be recovered beyond 31.3.2009			603.37	

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