

CENTRAL ELECTRICITY REGULATORY COMMISSION

NEW DELHI

Petition No. 321/2010

**Coram: Dr. Pramod Deo, Chairman
Shri S. Jayaraman, Member
Shri M. Deena Dayalan, Member**

Date of Hearing: 12.7.2011

Date of Order: 30.12.2011

In the matter of:

Approval under Regulation 86 of Central Electricity Regulatory Commission (Conduct of Business) Regulations 1999 and Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations 2009 for determination of transmission tariff for 220 kV D/C Vapi- Khadoli Transmission line along with associated bays under WRSS-V Transmission System in WR Region for the period from DOCO to 31.3.2014

And

In the matter of:

Power Grid Corporation of India Ltd., Gurgaon

Petitioner

Vs

1. Madhya Pradesh Power Trading Company Ltd, Jabalpur
2. Maharashtra State Electricity Distribution Co. Ltd., Mumbai
3. Gujarat Urja Vikas Nigam Ltd., Vadodara
4. Electricity Department, Govt. of Goa, Panaji
5. Electricity Department, Admn. of Daman & Diu, Daman
6. Electricity Department, Admn. of Dadra & Nagar Haveli, Silvassa
7. Chhattisgarh State Electricity Board, Raipur
8. Madhya Pradesh Audyogik Kendra, Indore

Respondents

The following were present:

1. Shri S.S Raju, PGCIL
2. Shri M.M. Mondal, PGCIL



ORDER

This petition has been filed seeking approval for determination for transmission tariff for 220 kV D/C Vapi-Khadoli transmission line along with its associated bays under WRSS-V transmission system in Western Region (hereinafter referred to as the "transmission system") for the period from 1.10.2010 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 actual date of commercial operation of the transmission system is 1.10.2010.

2. The administrative approval and expenditure sanction to the transmission project was accorded by the Board of Directors of PGCIL, vide their letter dated 26.12.2007 at an estimated cost of ₹ 47769 lakh including IDC of ₹ 3497 lakh (based on 3rd quarter, 2007 price level).

3. The petitioner has claimed the following transmission charges:-

| | (₹ in lakh) | | | |
|-----------------------------|---------------|---------------|---------------|---------------|
| | 2010-11 | 2011-12 | 2012-13 | 2013-14 |
| Depreciation | 77.14 | 170.41 | 174.94 | 174.94 |
| Interest on Loan | 86.86 | 181.61 | 171.74 | 156.37 |
| Return on equity | 75.67 | 167.35 | 171.85 | 171.85 |
| Interest on Working Capital | 8.70 | 18.65 | 19.10 | 19.30 |
| O & M Expenses | 81.61 | 172.59 | 182.44 | 192.87 |
| Total | 329.98 | 710.61 | 720.07 | 715.33 |



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

| (₹ in lakh) | | | | |
|--------------------|---------------|---------------|---------------|---------------|
| | 2010-11 | 2011-12 | 2012-13 | 2013-14 |
| Maintenance Spares | 24.48 | 25.89 | 27.37 | 28.93 |
| O & M expenses | 13.60 | 14.38 | 15.20 | 16.07 |
| Receivables | 109.99 | 118.44 | 120.01 | 119.22 |
| Total | 148.07 | 158.71 | 162.58 | 164.22 |
| Interest | 8.70 | 18.65 | 19.10 | 19.30 |
| Rate of Interest | 11.75% | 11.75% | 11.75% | 11.75% |

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 Maharashtra State Electricity Distribution Co. Ltd. (MSEDCL), Respondent No.2.

6. MSEDCL, vide its affidavit dated 30.12.2010, raised the following objections:-

(a) As regards additional expenditure amounting to ₹ 439.37 lakh for 2010-11 and ₹ 171.54 lakh for 2011-12, under "Final/ Retention Payments" the category-wise detailed break-up has not been submitted by the petitioner. It is further submitted that Final/ Retention Payments basically consists of Security Deposits, Performance Deposits, Liquidated Damages, etc [which are retained from the running bills or deposited by the third party] along with balance payment, if any. Thus, excluding the balance payment if any, there is no additional investment



as claimed by the petitioner, and hence the claim should not be admitted by the Commission;

(b) The petitioner's request for reimbursement of petition filing fee and other expenditure related to filing of petition may be rejected in line with Commission's order dated 11.9.2008 in Petition No. 129/2005;

(c) The petitioner's request for reimbursement of service tax in case of withdrawal of exemption of transmission charges from service tax in future may be rejected;

(d) As regards reimbursement of licence fee, it is submitted that the petitioner has not cited relevant provisions in 2009 regulations for such reimbursement.

7. The petitioner, vide its rejoinder dated 15.3.2011, submitted the following clarifications to the issues raised by MSEDCL in its reply:-

(a) Additional capital expenditure has been proposed on account of balance payment for price variation, works completed but billed after date of commercial operation, final/ retention payment as per provision of LOA etc. The year wise total additional capital expenditure is ₹ 439.37 lakh and ₹ 171.54 lakh in FY 2010-11 and FY 2011-12 respectively. The main parties involved in transmission lines works are M/S JSL and M/S BHEL and in sub-station works are M/S EMCO and M/S SHYAMA. Moreover, final/retention payments as part of additional capital expenditure claimed in the petition are permissible as per Regulation 9(1) of 2009 regulations;

(b) Expenditure in relation to petition filing fee, publication of notices in newspapers etc. is being done in line with Regulation 42 of the 2009



regulations and hence should be reimbursed to the petitioner. It has also been submitted that the Commission has allowed this expenditure in various other petitions of 2009-14 tariff period;

(c) The service tax is reimbursable by the beneficiaries, if the exemption of service tax for transmission service is withdrawn in future.

(d) The licence fee is not covered in the actual O&M expenses and it is an extra burden on the petitioner and hence it may be reimbursed.

8. Having heard the representatives of the parties and perused the material on records, we proceed to dispose of the petition. While doing so, we also take care of the submissions of the respondent and address them in the relevant paragraphs.

CAPITAL COST

9. As regards capital cost, Regulation 7(1) (a) of the 2009 regulations provides as under:-

“The expenditure incurred or projected to be incurred, including interest during construction and financing charges, any gain or loss on account of foreign exchange risk variation during construction on the loan – (i) being equal to 70% of the funds deployed, in the event of the actual equity in excess of 30% of the funds deployed, by treating the excess equity as normative loan, or (ii) being equal to the actual amount of loan in the event of the actual equity less than 30% of the fund deployed, - up to the date of commercial operation of the project, as admitted by the Commission, after prudence check.”

10. The capital cost of ₹ 2665.95 lakh as on 1.10.2010 i.e., the date of commercial operation, as per Auditor's certificate dated 11.11.2010, has been claimed by the petitioner, whereas ₹2614.28 lakh has been considered for the purpose of tariff calculation after limiting the initial spares. The details of



expenditure and additional capital expenditure projected to be incurred for the transmission system are given hereunder:-

(₹ in lakh)

| Sl. No. | Asset | Apportioned approved cost as per RCE | Actual expenditure incurred up to date of commercial operation (1.10.2010) | Add-cap expenditure from date of commercial operation to 31.3.2011 | Projected expenditure 2011-12 | Total expenditure |
|---------|----------------------------------------------------------------------------|--------------------------------------|----------------------------------------------------------------------------|--------------------------------------------------------------------|-------------------------------|-------------------|
| 1. | 220 KV D/C Vapi-Khadoli transmission line under WRSS V transmission system | 2898.92 | 2665.95 | 439.37 | 171.54 | 3276.86 |

As mentioned above, actual expenditure exceeds the apportioned approved cost. Therefore, additional capital expenditure has been restricted up to apportioned approved cost of ₹232.97 lakh for the year 2010-11.

COST OVERRUN

11. Petitioner PGCIL vide affidavit dated 25.5.2011 submitted that the amount towards tree compensation was increased to ₹ 192.35 lakh on account of increase in assessment rate by different Executive Magistrate for tree compensation and increase in number of trees. The information subsequently furnished by the petitioner shows that the compensation amount of ₹1,77,24,133 includes ₹31,892 towards police protection. The amount of crop compensation claimed, vide affidavit dated 25.5.2011, and the proof of the disbursement of amount submitted vide affidavit dated 24.8.2011 is at variance. We allow tree and crop compensation of ₹ 1,77,24,133 that has already been paid and also ₹10 lakh and ₹15 lakh for compensation cases pending before the revenue authorities, amounting to ₹ 2,02,24,133. Since



PGCIL has not submitted the Revised Cost Estimates (RCE) duly approved by its Board, the cost of the transmission elements is being restricted to ₹ 2898.92 lakh till the time RCE is submitted by them. There is no direct impact of the mismatch of the amount of crop compensation on the tariff at present, as the cost is being restricted to apportioned approved cost. We however direct the petitioner to submit affidavit reconciling the crop compensation figures at the time of filing the petition for truing up or while coming again for tariff along with the RCE, as the case may be.

TREATMENT OF INITIAL SPARES

12. PGCIL has, vide affidavit dated 14.3.2011, claimed initial spares worth ₹ 86.12 lakh for the sub-station. However, it works out to ₹ 25.69 lakh as per Regulation 8 of 2009 regulations. This excess amount of ₹ 60.43 lakh corresponds to the sub-station cost. Excess amount corresponding to sub-station cost of ₹ 930.42 lakh works out to ₹ 51.67 lakh which has then been reduced from the sub-station cost as on date of commercial operation, as per details given hereunder:-

| (₹ in lakh) | | | | | | | |
|--------------------------------------------|------------------------------|-------------------------------------------------------|--------------------------------------|----------------------------------------|-----------|---------------------------------------------------------------------------------|------------------------------------------------------------------------------------------|
| Particulars | Rate as per 2009 regulations | Expenditure pertaining to sub-station up to 31-3-2012 | Initial spares claimed by petitioner | initial spares as per 2009 regulations | In excess | Sub-station cost (inclusive of initial spares) as per apportioned approved cost | Excess initial spares to be deducted from expenditure as on date of commercial operation |
| 1 | 2 | 3 | 4 | 5 | 6=(4-5) | 7 | 8 |
| Sub-Station (As claimed by the petitioner) | 2.50% | 1088.15 | 86.12 | 25.69 | 60.43 | 930.42 | 51.67 |



Therefore capital cost of ₹ 2614.28 lakh has been considered for computing tariff as on date of commercial operation.

ADDITIONAL CAPITAL EXPENDITURE

13. As regards additional capital expenditure, Regulation 9(1) of the 2009 regulations provides as under:-

“Additional Capitalisation: (1) The capital expenditure incurred or projected to be incurred, on the following counts within the original scope of work, after the date of commercial operation and up to the cut-off date may be admitted by the Commission, subject to prudence check:

- (i) Undischarged liabilities;
- (ii) XXX
- (iii) XXX
- (iv) XXX
- (v) XXX”

14. Further, the 2009 regulations defines cut-off date as-

“cut-off date means 31st March of the year closing after 2 years of the year of commercial operation of the project, and in case the project is declared under commercial operation in the last quarter of the year, the cut-off date shall be 31st March of the year closing after 3 years of the year of commercial operation”.

Based on the above definition, cut-off date for the above mentioned assets is 31.3.2013.

15. The petitioner has claimed additional capital expenditure amounting to ₹ 439.37 lakh for the period 2010-11 and ₹ 171.54 lakh for 2011-12. As total estimated completion cost exceeds the apportioned approved cost, additional capital expenditure is being restricted in such a manner that the completion cost does not exceed the apportioned approved cost. As a result, additional capital expenditure for the year 2010-11 is being restricted to ₹ 232.97 lakh (difference of expenditure as on date of commercial operation and apportioned approved cost) and additional capital expenditure for 2011-12 is



being disallowed. The element wise additional capital expenditure for the year 2010-11 has been allowed in proportion to the claimed additional capital expenditure, as per details given hereunder:

| | (₹ in lakh) | | | |
|--------------------------------------------------------------------|-----------------------|---------|---------|---------|
| | 2010-11 (pro-rata) | 2011-12 | 2012-13 | 2013-14 |
| Opening Gross Block | 2614.28 | 2847.25 | 2847.25 | 2847.25 |
| Addition during 2009-14 due to Projected Additional Capitalisation | 232.97 | 0.00 | 0.00 | 0.00 |
| Closing Gross Block | 2847.25 | 2847.25 | 2847.25 | 2847.25 |

DEBT- EQUITY RATIO

16. Regulation 12 of the 2009 regulations provides that,

*“12. **Debt-Equity Ratio.** (1) For a project declared under commercial operation on or after 1.4.2009, if the equity actually deployed is more than 30% of the capital cost, equity in excess of 30% shall be treated as normative loan:*

Provided that where equity actually deployed is less than 30% of the capital cost, the actual equity shall be considered for determination of tariff:

Provided further that the equity invested in foreign currency shall be designated in Indian rupees on the date of each investment.

(2) XXX.”

17. Details of debt- equity ratio as on the date of commercial operation, i.e., 1.10.2010 are given below:-

| | Admitted capital cost as on 1.10.2010 | |
|--------------|------------------------------------------|---------------|
| Particulars | (₹ in lakh) | % |
| Debt | 1830.00 | 70.00 |
| Equity | 784.28 | 30.00 |
| Total | 2614.28 | 100.00 |



18. Details of debt-equity ratio for normative additional capital expenditure (referred to as "Normative Add-Cap" below) are given hereunder:-

| | Normative Add-Cap | |
|--------------|-------------------|---------------|
| Particulars | (₹ in lakh) | % |
| Debt | 163.08 | 70.00 |
| Equity | 69.89 | 30.00 |
| Total | 232.97 | 100.00 |

19. Details of debt- equity ratio as on 31.3.2014 are given below:-

| | Capital Cost as on 31.3.2014 | |
|--------------|------------------------------|---------------|
| Particulars | (₹ in lakh) | % |
| Debt | 1993.08 | 70.00 |
| Equity | 854.18 | 30.00 |
| Total | 2847.25 | 100.00 |

RETURN ON EQUITY

20. Regulation 15 of the 2009 regulations provides as under:-

"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 Minimum Alternate/Corporate Income Tax Rate for the year 2008-09, as per the



Income Tax Act, 1961, as applicable to the concerned generating company or the transmission licensee, as the case may be.

(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.

(5) The generating company or the transmission licensee as the case may be, shall recover the shortfall or refund the excess Annual Fixed charge on account of Return on Equity due to change in applicable Minimum Alternate/ Corporate Income Tax Rate as per the Income Tax Act, 1961 (as amended from time to time) of the respective financial year directly without making any application before the Commission.

Provided further that Annual Fixed charge with respect to the 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 financial year during the tariff period shall be tried up in accordance with Regulation 6 of these regulations."

21. In this order, Return on Equity has been calculated as per Regulation 15 of the 2009 regulations with pre-tax ROE of 17.481%.

22. Petitioner's prayer to allow grossing up the base rate of ROE based on the tax rates viz., MAT, surcharge, any other cess, charges, levies etc., as per the relevant Finance Act, shall be settled in accordance with the provisions of Regulation 15 of 2009 regulations as amended by Central Electricity Regulatory Commission (Terms and Conditions of Tariff) (Second Amendment) Regulations, 2011.

23. Details of return on equity calculated are given hereunder:-

| | (₹ in lakh) | | | |
|-------------------------------------------|-----------------------|---------------|---------------|---------------|
| | 2010-11 (Pro-rata) | 2011-12 | 2012-13 | 2013-14 |
| Opening Equity | 784.28 | 854.18 | 854.18 | 854.18 |
| Addition due to Additional Capitalisation | 69.89 | 0.00 | 0.00 | 0.00 |
| Closing Equity | 854.18 | 854.18 | 854.18 | 854.18 |
| Average Equity | 819.23 | 854.18 | 854.18 | 854.18 |
| Return on Equity (Base Rate) | 15.50% | 15.50% | 15.50% | 15.50% |
| Tax rate for the year 2008-09 (MAT) | 11.33% | 11.33% | 11.33% | 11.33% |
| Rate of Return on Equity (Pre Tax) | 17.481% | 17.481% | 17.481% | 17.481% |
| Return on Equity (Pre Tax) | 71.60 | 149.32 | 149.32 | 149.32 |



INTEREST ON LOAN

24. Regulation 16 of the 2009 regulations provides as under:-

“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.”



25. Interest on loan has been worked out as per Regulation 16 of 2009 regulations as under:-

(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) Tariff is worked out considering normative loan and normative repayments. Depreciation allowed has been taken as normative repayment for the tariff period 2009-14.

(iii) 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.

26. Detailed calculations of the weighted average rate of interest has been given in Annexure to this order.

27. Details of the calculation of interest on loan are given hereunder:-

(₹ in lakh)

| | 2010-11 (Pro-rata) | 2011-12 | 2012-13 | 2013-14 |
|------------------------------------------------|-----------------------|---------------|---------------|---------------|
| Gross Normative Loan | 1830.00 | 1993.08 | 1993.08 | 1993.08 |
| Cumulative Repayment upto Previous Year | 0.00 | 73.05 | 225.30 | 377.56 |
| Net Loan-Opening | 1830.00 | 1920.03 | 1767.77 | 1615.52 |
| Addition due to additional capital expenditure | 163.08 | 0.00 | 0.00 | 0.00 |
| Repayment during the year | 73.05 | 152.25 | 152.25 | 152.25 |
| Net Loan-Closing | 1920.03 | 1767.77 | 1615.52 | 1463.27 |
| Average Loan | 1875.01 | 1843.90 | 1691.65 | 1539.40 |
| Weighted Average Rate of Interest on Loan | 8.7675% | 8.7675% | 8.7675% | 8.7659% |
| Interest | 82.20 | 161.66 | 148.32 | 134.94 |



DEPRECIATION

28. Petitioner has claimed actual depreciation as a component of Annual Fixed Charges. However, Regulation 17 (4) of the 2009 regulations provides as under:-

"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 31th 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 asset".

29. In these calculations, depreciation has been worked out on the basis of capital expenditure as on date of commercial operation as under:-

| | (₹ in lakh) | | | |
|--------------------------------------------------------------------|-----------------------|---------------|---------------|---------------|
| | 2010-11 (Pro-rata) | 2011-12 | 2012-13 | 2013-14 |
| Opening Gross Block | 2614.28 | 2847.25 | 2847.25 | 2847.25 |
| Addition during 2009-14 due to Projected Additional Capitalisation | 232.97 | 0.00 | 0.00 | 0.00 |
| Closing Gross Block | 2847.25 | 2847.25 | 2847.25 | 2847.25 |
| Average Gross Block | 2730.77 | 2847.25 | 2847.25 | 2847.25 |
| Rate of Depreciation | 5.3502% | 5.3473% | 5.3473% | 5.3473% |
| Depreciable Value | 2457.69 | 2562.53 | 2562.53 | 2562.53 |
| Remaining Depreciable Value | 2457.69 | 2489.48 | 2337.22 | 2184.97 |
| Depreciation | 73.05 | 152.25 | 152.25 | 152.25 |

OPERATION & MAINTENANCE EXPENSES

30. Clause (g) of Regulation 19 of the 2009 regulations prescribes the norms for operation and maintenance expenses based on the type of sub-station and line. Norms prescribed in respect of the elements covered in the instant petition are as under:-

| Element | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 |
|-----------------------------------------------------|---------|---------|---------|---------|---------|
| Single conductor, transmission line (₹ lakh per km) | 0.269 | 0.284 | 0.301 | 0.318 | 0.336 |
| 220 kV bays (₹ lakh/ bay) | 36.68 | 38.78 | 41.00 | 43.34 | 45.82 |



31. As per the existing norms the allowable O&M expenses for the assets covered in the instant petition are as under:-

| Element | (₹ in lakh) | | | |
|---------------------------------------------------------|-------------------------------------------------|---------------|---------------|---------------|
| | 2010-11 (October 2010 – March 2011) | 2011-12 | 2012-13 | 2013-14 |
| Single conductor, transmission line of length 28.549 km | 4.05 | 8.59 | 9.08 | 9.59 |
| Four Nos. 220 kV bays | 77.56 | 164.00 | 173.36 | 183.28 |
| Total | 81.61 | 172.59 | 182.44 | 192.87 |

32. The petitioner has submitted that O&M expenditure for the year 2009-14 had been arrived at on the basis of normalized actual O&M expenses during the period 2003-04 to 2007-08. The wage hike of 50% on account of pay revision of the employees of public sector undertaking has also been considered while calculating the O&M charges for the tariff period 2009-14. The petitioner has submitted that it would approach the Commission for suitable revision in the norms for O&M expenditure in case the impact of wage hike w.e.f 1.1.2007 is more than 50%.

33. The petitioner has further submitted that in O&M norms for tariff block 2009-14, the cost associated with license fees had not been captured and the license fee may be allowed to be recovered separately from the respondents.

34. We observe that the issue regarding reimbursement of additional expenditure on account of wage revision has been raised by the petitioner in other petitions also. The decision as and when taken will be applicable to the present case also. As regards licence fee, it is clarified that licence fee will be

dealt in accordance with order dated 25.10.2011 in Petition No.21/2011 and 22/2011.

INTEREST ON WORKING CAPITAL

35. As per the 2009 regulations 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 of fixed cost. 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 has accordingly been worked out.

(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 the respective year as claimed in the petition. This has been considered in the working capital.

(iv)Rate of interest on working capital: In these calculations, interest rate of 11.00% (SBI Base Rate 7.50% as on 1.7.2010 plus



350 bps) has been considered in accordance with the 2009 regulations, as amended vide the second amendment regulations notified in June 2011, for calculating interest on working capital.

36. Necessary computations in support of interest on working capital are appended herein below:-

| | (₹ in lakh) | | | |
|--------------------|---------------|---------------|---------------|---------------|
| | 2010-11 | 2011-12 | 2012-13 | 2013-14 |
| Maintenance Spares | 24.48 | 25.89 | 27.37 | 28.93 |
| O & M expenses | 13.60 | 14.38 | 15.20 | 16.07 |
| Receivables | 105.45 | 108.70 | 108.15 | 107.70 |
| Total | 143.54 | 148.97 | 150.72 | 152.70 |
| Rate of Interest | 11.00% | 11.00% | 11.00% | 11.00% |
| Interest | 7.89 | 16.39 | 16.58 | 16.80 |

TRANSMISSION CHARGES

37. The transmission charges being allowed for the transmission lines are summarized hereunder:-

| | (₹ in lakh) | | | |
|-----------------------------|---------------|---------------|---------------|---------------|
| | 2010-11 | 2011-12 | 2012-13 | 2013-14 |
| Depreciation | 73.05 | 152.25 | 152.25 | 152.25 |
| Interest on Loan | 82.20 | 161.66 | 148.32 | 134.94 |
| Return on equity | 71.60 | 149.32 | 149.32 | 149.32 |
| Interest on Working Capital | 7.89 | 16.39 | 16.58 | 16.80 |
| O & M Expenses | 81.61 | 172.59 | 182.44 | 192.87 |
| Total | 316.36 | 652.21 | 648.91 | 646.18 |

FILING FEE AND THE PUBLICATION EXPENSES

38. The respondent, MSEDCL has submitted that the petitioner's request for reimbursement of petition filing fee and other expenditure related to filing of petition may be rejected in line with Commission's order dated 11.9.2008 in Petition No. 129/2005. It is clarified that the Commission has allowed



reimbursement of filing fee in its order dated 11.1.2010 in Petition No. 109/2009, pertaining to tariff period 2009-14. Accordingly, the petitioner shall be entitled to recover the filing fee and publication expenses from the beneficiaries.

LICENCE FEE

39. The respondent, MSEDCL has submitted that the petitioner's request for reimbursement for licence fee should be rejected as the petitioner has not cited relevant provisions in 2009 regulations for such payment. This being so, they have requested the Commission to pass such order as considered just and proper in order to avoid unnecessary burden on beneficiaries and ultimately on end consumers. PGCIL in its rejoinder dated 15.3.2011 has submitted that the licence fee is not covered in the actual O&M expenses and hence it may be reimbursed. It is clarified that as regards reimbursement of licence fee, the same shall be dealt with in accordance with our order dated 25.10.2011 in Petition No.21/2011 and 22/2011.

SERVICE TAX

40. The petitioner has made a prayer to be allowed to bill and recover the service tax on transmission charges separately from the respondents if it is subjected to such service tax in future. We consider the prayer pre-mature and accordingly the same is rejected.

41. The transmission charges allowed shall be recovered on monthly basis in accordance with Regulation 23 and shared by the beneficiaries in accordance with Regulation 33 of the 2009 regulations upto 30.6.2011. With effect from 1.7.2011, the billing collection and disbursement of the



transmission charges shall be governed by the provisions of Central Electricity Regulatory Commission (Sharing of Inter-State Transmission Charges and Losses) Regulations, 2010 as amended.

42. This order disposes of Petition No.321/2010.

(M. Deena Dayalan)
Member

(S. Jayaraman)
Member

(Dr. Pramod Deo)
Chairperson



| CALCULATION OF WEIGHTED AVERAGE RATE OF INTEREST ON LOAN | | | | | |
|----------------------------------------------------------|----------------------------------------------|---------------------------------------|----------------|----------------|----------------|
| (₹ in lakh) | | | | | |
| | Details of Loan | 2010-11 | 2011-12 | 2012-13 | 2013-14 |
| 1 | Bond-XXXIII | | | | |
| | Gross loan opening | 566.15 | 566.15 | 566.15 | 566.15 |
| | Cumulative Repayment upto DOCO/previous year | 0.00 | 0.00 | 0.00 | 0.00 |
| | Net Loan-Opening | 566.15 | 566.15 | 566.15 | 566.15 |
| | Additions during the year | 0.00 | 0.00 | 0.00 | 0.00 |
| | Repayment during the year | 0.00 | 0.00 | 0.00 | 0.00 |
| | Net Loan-Closing | 566.15 | 566.15 | 566.15 | 566.15 |
| | Average Loan | 566.15 | 566.15 | 566.15 | 566.15 |
| | Rate of Interest | 8.64% | 8.64% | 8.64% | 8.64% |
| | Interest | 48.92 | 48.92 | 48.92 | 48.92 |
| | Rep Schedule | 12 Annual instalments from 08.07.2014 | | | |
| 2 | Bond-XXXI | | | | |
| | Gross loan opening | 300.00 | 300.00 | 300.00 | 300.00 |
| | Cumulative Repayment upto DOCO/previous year | 0.00 | 0.00 | 0.00 | 0.00 |
| | Net Loan-Opening | 300.00 | 300.00 | 300.00 | 300.00 |
| | Additions during the year | 0.00 | 0.00 | 0.00 | 0.00 |
| | Repayment during the year | 0.00 | 0.00 | 0.00 | 25.00 |
| | Net Loan-Closing | 300.00 | 300.00 | 300.00 | 275.00 |
| | Average Loan | 300.00 | 300.00 | 300.00 | 287.50 |
| | Rate of Interest | 8.90% | 8.90% | 8.90% | 8.90% |
| | Interest | 26.70 | 26.70 | 26.70 | 25.59 |
| | Rep Schedule | 12 Annual instalments from 25.02.2014 | | | |
| 3 | Bond- XXX | | | | |
| | Gross loan opening | 1000.00 | 1000.00 | 1000.00 | 1000.00 |
| | Cumulative Repayment upto DOCO/previous year | 0.00 | 0.00 | 0.00 | 0.00 |
| | Net Loan-Opening | 1000.00 | 1000.00 | 1000.00 | 1000.00 |
| | Additions during the year | 0.00 | 0.00 | 0.00 | 0.00 |
| | Repayment during the year | 0.00 | 0.00 | 0.00 | 83.33 |
| | Net Loan-Closing | 1000.00 | 1000.00 | 1000.00 | 916.67 |
| | Average Loan | 1000.00 | 1000.00 | 1000.00 | 958.33 |
| | Rate of Interest | 8.80% | 8.80% | 8.80% | 8.80% |
| | Interest | 88.00 | 88.00 | 88.00 | 84.33 |
| | Rep Schedule | 12 Annual instalments from 29.09.2013 | | | |
| | Total Loan | | | | |
| | Gross loan opening | 1866.15 | 1866.15 | 1866.15 | 1866.15 |
| | Cumulative Repayment upto DOCO/previous year | 0.00 | 0.00 | 0.00 | 0.00 |
| | Net Loan-Opening | 1866.15 | 1866.15 | 1866.15 | 1866.15 |
| | Additions during the year | 0.00 | 0.00 | 0.00 | 0.00 |
| | Repayment during the year | 0.00 | 0.00 | 0.00 | 108.33 |
| | Net Loan-Closing | 1866.15 | 1866.15 | 1866.15 | 1757.82 |
| | Average Loan | 1866.15 | 1866.15 | 1866.15 | 1811.98 |
| | Rate of Interest | 8.7675% | 8.7675% | 8.7675% | 8.7659% |
| | Interest | 163.62 | 163.62 | 163.62 | 158.84 |

