CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI

<u>Coram</u>

1. **Shri Ashok Basu, Chairman**
2. **Shri K.N.Sinha, Member**

<u>Petition No.71/2002</u>

In the matter of

Approval of Tariff for Malda-Bongaigaon Transmission Line for the period from 1.4.2001 to 31.3.2004.

And in the matter of

Power Grid Corporation of India Ltd. **…. Petitioner**

Vs

1. Bihar State Electricity Board, Patna
2. West Bengal State Electricity Board, Kolkata
3. Grid Corporation of Orissa Ltd, Bhubneshwar
4. Damodar Valley Corporation, Kolkata
5. Power Deptt., Govt. of Sikkim, Gangtok
6. Jharkand State Electricity Board, Ranchi **…. Respondents**

The following were present:

1. Shri Prashant Sharma, PGCIL
2. Shri S. S. Sharma, PGCIL
3. Shri U.K. Tyagi, PGCIL
4. Shri Manoj Rastogi, PGCIL
5. Shri A.K. Nagpal, PGCIL
6. Shri S. Mehrotra, Dy. Mgr (F), PGCIL
7. Shri S.K. Jain, Manager (Law), PGCIL
8. Shri J Sridharan, ED(P), PGCIL
9. Shri Mahesh K.R., PGCIL
10. Shri R.K. Vohra, ED (Comml), PGCIL

ORDER
(DATE OF HEARING 12-12-2002)

The petitioner has filed this petition for approval of tariff for Malda-Bongaigaon transmission line, forming part of Kathalguri Transmission System for the period from 1.4.2001 to 31.3.2004, based on the terms and conditions of tariff contained in the Commission's notification dated 26.3.2001, hereinafter referred to as "the notification dated 26.3.2001".

2. Ministry of Power had initially accorded the administrative approval and expenditure sanction for the transmission system associated with Kathalguri Gas Based Power Project at an estimated cost of Rs.68119 lakh, which included IDC of Rs.1603 lakh, vide its letter dated 22.2.1995, with following lines/sub-stations: -

(A) TRANSMISSION LINES

(i) 400 kV D/C Kathalguri-Miriani Transmission Line

(ii) 400 kV D/C Mariani-Misa Transmission Line

(iii) 400 kV D/C Misa-Balipara Transmission Line

(iv) 400 kV D/C Balipara-Bongaigaon Transmission Line

(v) 400 kV D/C Bongaigaon-Malda Transmission Line

(vi) 220 kV S/C Balipapara-Tejpur TransmissionLine

(B) SUB-STATIONS

(i) New 400/220 kV sub-station of 315 MVA each at Misa, Balipara and Bongaigaon

(ii) Extension of 400 kV sub-station of Power Grid at Malda

(iii) Extension of 220 kV Mariani (ASEB) sub-station by two 220 kV bays and Tezpur (ASEB) substation by one 220 kV.

3. When Ministry of Power accorded its administrative approval in February 1995, the Kathalguri-Mariani transmission line [2(A) (i)] had already been commissioned, and the remaining lines and sub-stations were to be commissioned during the year 1995-1996. Malda-Bongaigaon transmission line was actually commissioned on 1-4-2000. Ministry of Power issued a fresh letter on 22.3.2001 granting approval to the revised cost estimates of the Kathalguri Transmission System for Rs.101010 lakh, including IDC of Rs.24854 lakh based on fourth quarter 1998 price level. The apportioned approved cost and completion cost in respect of Malda-Bongaigaon transmission line [2(A) (v)], the subject matter of the present petition, as submitted by the petitioner, are as under:

(Rs. in crore)

	Apportioned Approved Cost	Completion Cost
Capital cost	200.79	208.41
IEDC	23.46	26.34
IDC	73.18	121.60
Total	297.43	356.35

4. Malda-Bongaigaon transmission line is an inter-regional transmission line shared by the constituents of Eastern and North-Eastern regions. The petitioner had filed petition No 48/2000 for approval of tariff for the period from 1.4.2000 to 31.3.2001. The said petition was disposed of by order dated 4.7.2002. The Commission had decided that 50% of the tariff would be shared by the constituents of Eastern Region. As regards the North-Eastern Region, it was directed that the constituents would pay the transmission charges @ 35 paise per kWh under UCPTT scheme. Accordingly, in the present petition, the petitioner has sought approval of tariff falling to the share of Eastern regional constituents.

5. Based on the above-noted facts, the petitioner has sought approval for transmission charges for the period from 1.4.2001 to 31.3.2004 as under:

(Rs. in lakh)

Transmission Tariff	2001-2002	2002-2003	2003-2004
Interest on Loan	3002.34	2854.23	2657.83
Interest on Working Capital	192.74	182.69	203.09
Depreciation	962.64	963.60	964.57
Advance against Depreciation	583.65	0.00	1014.18
Return on Equity	1912.20	1918.18	1924.17
O & M Expenses	802.36	850.68	899.32
Total	**7455.93**	**6769.38**	**7663.16**

6. The petitioner has furnished the following details in support of its claim for interest on working capital:

(Rs. in lakh)

	2001-2002	2002-2003	2003-2004
Spares	366.48	389.47	413.84
O & M expenses	66.86	70.89	74.94
Receivables	1242.65	1128.23	1277.19
Total	1675.99	1588.59	1765.97
Rate of Interest	11.50%	11.50%	11.50%
Interest	192.74	182.69	203.09

7. 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 dated 26.3.2001.

CAPITAL COST

8. 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 transmission company, as the case may be, shall be the basis for computation of tariff.

9. Tariff for the transmission line was notified by the Commission vide its order dated 4.7.2002 in petition No 48/2000 by considering cost of Rs. 29743.02 lakh as on 1.4.2000, though the applicant had claimed tariff based on estimated completion cost of Rs. 35635.00 lakh. The petitioner had filed an application for review of order dated 4.7.2002, being Review Petition No 102/2002 for review of the capital cost considered in petition No 48/2000. The application for review was dismissed by the Commission vide its order dated 1.1.2003. Thus, the capital cost of Rs. 29743.02 lakh considered in the order of 4.7.2002 has acquired finality.

10. According to the petitioner, the actual completion cost of Kathalguri Transmission System is Rs. 109023.00 lakh and the apportioned cost of Malda-Bongaigaon transmission line will be Rs. 35635.00 lakh. Therefore, the petitioner in the present petition has based its claim for tariff on the estimated completion cost of Rs. 35635.00 lakh.

11. The revised cost estimate of Rs. 109023.00 lakh has not yet been approved by the competent authority. The last approved capital cost of Kathalguri Transmission System is Rs. 101010.00 lakh. Out of this the apportioned cost of Malda-Bongaigaon transmission line is Rs. 29743.00 lakh. Accordingly, for the present petition, we have

considered the capital cost of Rs. 29743.02 lakh considered by the Commission in its order of 4.7.2002 in petition No 48/2000.

ADDITIONAL CAPITALISATION

12. Clause 1.10 of 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 only 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.

13. The petitioner has claimed the additional capital expenditure for the period after 01.04.2001 as below:

(Rs. in lakh)

01.04.2001 to 31.03.2002	0.00
Balance anticipated capital expenditure to be incurred after 31.03.2002	74.81
	74.81
Approved cost	35635.25
%age of the approved cost	0.21%

14. As the additional capital expenditure does not exceed 20% of he approved cost and has also not been approved by the competent authority, the same has not been considered in the calculation.

Extra Rupee Liability

15. Clause 1.13 (a) of the notification dated 26.3.2001 provides:

(a) Extra rupee liability towards interest payment and loan repayment actually incurred, in the relevant year shall be admissible; provided it directly arises out of foreign exchange rate variation and is not attributable to utility or its suppliers or contractors. Every utility shall follow the method as per the Accounting Standard-11 (Eleven) as issued by the Institute of Chartered Accountants of India to calculate the impact of exchange rate variation on loan repayment.

Any foreign exchange rate variation to the extent of the dividend paid out on the permissible equity contributed in foreign currency, subject to the ceiling of permissible return shall be admissible. This, as and when paid, may be spread over the twelve-month period in arrears.

16. The petitioner has claimed the Foreign Exchange Rate Variation in accordance with the following method:

Outstanding loan as on 31.3.2001 (in foreign currency) X (exchange rate as on 31.3.2001 - exchange rate as on the date of commercial operation/1.4.92)

17. The above amount of the Foreign Exchange Rate Variation is added in the capital cost as on 1.4.2001 (base capital cost for the tariff period) and depreciation is worked out on the above capital cost.

18. The Commission has decided that the Foreign Exchange Rate Variation to be capitalised for adding in the gross block as on 01.04.2001 would be arrived at in the following manner:

Foreign Loan outstanding as on 31.03.2001 x (Exchange Rate as on 31.03.2001 - Exchange Rate as on the date of commercial operation/01.04.1992 as given in the petition).

19. The Foreign Exchange Rate Variation amount calculated in the above manner has been added in the loan and equity as on 01.04.2001 in the debt-equity ratio in which the last tariff was allowed by the Commission.

20. Therefore, the Foreign Exchange Rate Variation has been considered as per the above decision of the Commission. In the calculation, however foreign loan outstanding amount as on 31.03.2001 has been reduced *pro rata* as per admitted capital cost at the time of previous tariff setting for working out the Foreign Exchange Rate Variation. Thus, the following capital expenditure has been considered in the calculation of tariff:

	Rs.in lakh
Capital Expenditure upto 31.03.2001 as per previous tariff setting	*29743.02*
Pro rata FERV upto 31.03.2001	*113.56*
Capital Expenditure upto 31.03.2001	*29856.58*
Additional Capital Expenditure after 31.03.2001	*0*
Capital Expenditure considered for determination of Tariff	*29856.58*

21. The Foreign Exchange Rate Variation allowed is subject to the condition that the petitioner would furnish a certificate within four weeks of this order that there has been no drawl of the foreign loan after the date of commercial operation of the Malda-Bongaigaon transmission line. If petitioner fails to submit the certificate within stipulated time frame, no amount on account of the Foreign Exchange Rate Variation would be allowed as “pass through” in tariff of the concerned line.

SOURCES OF FINANCING. DEBT – EQUITY RATIO

22. 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.

23. The petitioner has claimed tariff on the basis of debt and equity up to 31.03.2001 as was admitted by the Commission in its order dated 4.7.2002 in petition No 48/2000. The Foreign Exchange Rate Variation amount as claimed has been added by the petitioner in the loan and equity as on 01.04.2001 in the debt-equity ratio of 50:50.

24. As the Commission had allowed actual debt and equity (actual debt-equity ratio of 66.58:33.42 on the basis of gross loan and equity up to 31.03.2001) for determination of annual transmission charges for the period up to 31.03.2001, the same has been considered for working out the annual transmission charges in the present petition. The Foreign Exchange Rate Variation amount as approved in para 20 above has been added to the loan and equity as on 01.04.2001 in the ratio of 66.58: 33.42.

INTEREST ON LOAN

25. As provided in the notification dated 26.3.2001, interest on loan capital is to be computed on the outstanding loan, duly taking into account the schedule of repayment, as per the financial package approved by CEA or any independent agency.

26. In our calculations, the interest on loan has been worked out in keeping with the provisions of the notification dated 26.3.2001 in the following manner:

(i) The gross amount of loan, repayment of loan up to 31.03.2001 and net outstanding loan as on 31.03.2001 as considered by the Commission in its order dated 4.7.2002 in petition No 48/2000 has been considered.

(ii) The repayments for the year 2001-02 to 2003-04 and rate of interest etc. of the above loan has been taken as per the loan details submitted by the petitioner in the affidavits dated 05.02.2003, 26.03.2003 and 30.04.2003.

(iii) Notional loan arising out of the Foreign Exchange Rate Variation has been worked out in accordance with the principles contained in para 19 above.

(iv) Repayment of the loan during the year has been worked out in accordance with the following formula or as per the actual repayment during the year as claimed by the petitioner, whichever is higher:

Actual repayment during the year x normative net loan at the beginning of the year/ actual net loan at the beginning of the year.

(v) Rate of interest etc. of the above notional loan has been taken of the respective foreign loan from the loan details submitted by the petitioner in the affidavits dated 05.02.2003, 26.03.2003 and 30.04.2003.

27. Based on the above methodology, the details of calculation of interest are as given below:

Calculation of Interest on loan

(Rs. in lakh)

Details of Loan	2001-02	2002-03	2003-04
No. of days in the Year	365	365	366
Bond-I			
Gross Loan -Opening	535.30	535.30	535.30
Cumulative Repayment up to previous Year	259.88	535.30	535.30
Net Loan-Opening	275.42	0.00	0.00
Repayment during the year	275.42	0.00	0.00
Net Loan-Closing	0.00	0.00	0.00
Rate of Interest	9.00%	9.00%	9.00%
Interest	23.29	0.00	0.00
Repayment Schedule	Bullet on 10.03.2002		
Bond-III (Issue-II)			
Gross Loan –Opening	589.09	589.09	589.09
Cumulative Repayment up to previous Year	0.00	589.09	589.09
Net Loan-Opening	589.09	0.00	0.00
Repayment during the year	589.09	0.00	0.00
Net Loan-Closing	0.00	0.00	0.00
Rate of Interest	9.75%	9.75%	9.75%
Interest	33.05	0.00	0.00
Repayment Schedule	Bullet on 28.10.2001		
Bond-III (Issue-I)			
Gross Loan -Opening	94.25	94.25	94.25
Cumulative Repayment up to Previous Year	0.00	94.25	94.25
Net Loan-Opening	94.25	0.00	0.00
Repayment during the year	94.25	0.00	0.00
Net Loan-Closing	0.00	0.00	0.00
Rate of Interest	13.50%	13.50%	13.50%
Interest	11.61	0.00	0.00
Repayment Schedule	Bullet on 28.02.2002		
IOB Loan			
Gross Loan -Opening	4126.83	4126.83	4126.83
Cumulative Repayment up to previous Year	0.00	0.00	0.00
Net Loan-Opening	4126.83	4126.83	4126.83
Repayment during the year	0.00	0.00	412.68
Net Loan-Closing	4126.83	4126.83	3714.15
Rate of Interest	12.50%	12.50%	12.50%
Interest	515.85	515.85	508.81
Repayment Schedule	10 Annual Installments from 11.02.2004		
Grid Bond-VII			
Gross Loan -Opening	582.98	582.98	582.98
Cumulative Repayment up to previous Year	0.00	0.00	0.00
Net Loan-Opening	582.98	582.98	582.98
Repayment during the year	0.00	0.00	116.60

Net Loan-Closing	582.98	582.98	466.38
Rate of Interest	13.64%	13.64%	13.64%
Interest	79.52	79.52	69.05
Repayment Schedule	5 Annual installments from 04.08.2003		
Corporation Bank			
Gross Loan -Opening	291.07	291.07	291.07
Cumulative Repayment up to previous Year	0.00	0.00	0.00
Net Loan-Opening	291.07	291.07	291.07
Repayment during the year	0.00	0.00	14.55
Net Loan-Closing	291.07	291.07	276.52
Rate of Interest	12.25%	12.25%	12.25%
Interest	35.66	35.66	35.55
Repayment Schedule	20 Half yearly installments from10.03.2004		
PNB			
Gross Loan -Opening	582.98	582.98	582.98
Cumulative Repayment up to previous Year	0.00	0.00	0.00
Net Loan-Opening	582.98	582.98	582.98
Repayment during the year	0.00	0.00	58.30
Net Loan-Closing	582.98	582.98	524.68
Rate of Interest	12.01%	12.01%	12.01%
Interest	70.02	70.02	69.98
Repayment Schedule	10 Annual installments from 30.03.2004		
SBI-II			
Gross Loan -Opening	4371.90	4371.90	4371.90
Cumulative Repayment up to previous Year	0.00	0.00	0.00
Net Loan-Opening	4371.90	4371.90	4371.90
Repayment during the year-	0.00	0.00	728.65
Net Loan-Closing	4371.90	4371.90	3643.25
Rate of Interest	12.07%	12.07%	12.07%
Interest	527.69	527.69	462.09
Repayment Schedule	6 Annual installments from 3.7.2003		
BOI (Foreign Currency Loan)			
Gross Loan -Opening	1672.82	1672.82	1672.82
Cumulative Repayment up to previous Year	0.00	0.00	0.00
Net Loan-Opening	1672.82	1672.82	1672.82
Repayment during the year- 10th June	0.00	0.00	0.00
	1672.82	1672.82	1672.82
Repayment during the year- 10th December	0.00	0.00	0.00
Net Loan-Closing	1672.82	1672.82	1672.82
Rate of Interest	6.31%	6.31%	6.31%
Interest	105.55	105.55	105.55
Repayment Schedule	Equal Half yearly installments from 10.06.2004		
GOI Loan			

Gross Loan -Opening	6956.41	6956.41	6956.41
Cumulative Repayment up to previous Year	0.00	334.56	826.56
Net Loan-Opening	6956.41	6621.85	6129.85
Repayment during the year	334.56	491.99	695.64
Net Loan-Closing	6621.85	6129.85	5434.21
Rate of Interest	Calculated separately		
Interest	1058.93	1004.23	923.26
Repayment Schedule-Bullet on	calculated separately		
Notional Loan-BOI (Foreign Currency Loan)			
Gross Loan -Opening	75.61	75.61	75.61
Cumulative Repayment up to previous Year	0.00	0.00	0.00
Net Loan-Opening	75.61	75.61	75.61
Repayment during the year- 10th June	0.00	0.00	0.00
	75.61	75.61	75.61
Repayment during the year- 10th December	0.00	0.00	0.00
Net Loan-Closing	75.61	75.61	75.61
Rate of Interest	6.31%	6.31%	6.31%
Interest	4.77	4.77	4.77
Repayment Schedule	Considered same as of BOI (Foreign Currency)loan i.e. Equal Half yearly from 10.06.2004		
Total Loan			
Gross Loan -Opening	19879.24	19879.24	19879.24
Cumulative Repayment up to previous Year	259.88	1553.21	2045.20
Net Loan-Opening	19619.36	18326.04	17834.04
Repayment during the year	1293.32	491.99	2026.42
Net Loan-Closing	18326.04	17834.04	15807.62
Interest	2465.94	2343.29	2179.05

28. The table below gives the year-wise comparative details of interest claimed by the petitioner: and that allowed:

(Rs. in lakh)

Year	Interest on loan as claimed in the petition	Interest on loan as worked out	Difference
2001-02	3002.34	24765.94	(-)536.40
2002-03	2854.23	2343.29	(-)510.94
2003-04	2657.83	2179.05	(-)478.78

29. The difference is on account of:

(i) *Pro rata* reduction in loan due to reduction in the admitted capital cost at the time of previous tariff setting,

(ii) Interest on foreign loan worked out in foreign currency and multiplying the same with exchange rate as on 31.03.2001 in the petition against worked out in foreign currency and multiplying the same with exchange rate as on the date of commercial operation in the calculations by us,

(iii) Division of the Foreign Exchange Rate Variation into notional loan and equity in the ratio of 50:50 in the petition against actual debt-equity ratio in the calculations by us,

(iv) Depreciation on the Foreign Exchange Rate Variation in the petition against depreciation in proportion to repayment of foreign loan allowed in the calculations, and

(v) Weighted average rate of interest of total outstanding loans as on 01.04.2001 in the petition against rate of interest on foreign loan allowed in the calculations by us.

30. During course of examination of the present petition, it was noted that in case of Grid Bond-I loan, there is a discrepancy in the details furnished in the present petition and those furnished earlier in petition No 48/2000. The petitioner had claimed interest on loan in petition No 48/2000 by showing repayment of Grid Bond-I loan during March 2002. Thus, no repayment was shown during the prior tariff period, that is, up to 31.03.2001. However, in the present petition, part repayment has been shown prior to 31.03.2001 for Grid Bond-I loan. The outstanding amount as on 31.03.2001 shown in the present petition generally tallies with the outstanding amount

indicated in loan allocation details submitted by the petitioner in its affidavits dated 05.02.2003, 26.03.2003 and 30.04.2003.

31. The details submitted by the petitioner in the present petition have been considered for tariff calculations. Accordingly, gross loan of Rs.640.00 lakh and closing balance of Rs.329.83 lakh as on 31.03.2001 have been taken and have been reduced on *pro rata* basis. For the reason of the discrepancy , tariff awarded in petition 48/2000 needs to be reviewed, for which a notice is being issued separately.

32. As per Accounting Standard 11 of the Institute of Chartered Accountant of India, exchange difference arising of repayment of liabilities incurred for the purpose of acquiring fixed assets, which are carried in terms of historical cost, should be adjusted in the carrying amount of the respective fixed assets. In other words, the Foreign Exchange Rate Variation should be added in the respective head of gross block, which was financed from the foreign loan on which the Foreign Exchange Rate Variation is to be allowed. As the above details are not available, the Foreign Exchange Rate Variation amount is allocated to all the heads of gross block in proportion to their ratio to the total gross block. The petitioner has allocated the Foreign Exchange Rate Variation amount claimed on transmission line, sub-station and PLCC only.

33. Corp Bank Loan, PNB Loan and SBI-II Loan carry floating rates of interest. The interest rates as submitted by the petitioner in its affidavits dated 05.02.2003, 26.03.2003 and 30.04.2003 stated to be prevailing on 01.04.2001 have been considered in the calculation. In view of this, any change/resetting of the interest rates

of these loans during the tariff period covered in the present petition would require settlement between the parties. In case the parties are unable to agree on the rates of interest, any one of them may approach the Commission for appropriate decision.

DEPRECIATION

34. Based on the notification dated 26.3.2001, the petitioner is entitled to claim depreciation. The salient provisions for calculation of depreciation as per the notification dated 26.3.2001 are reproduced below:

(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 dated 26.3.2001

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.

35. In the calculation, depreciation has been worked out on the capital cost as per para 20 above and the rates as prescribed in the notification dated 26.03.2001. For working out cumulative depreciation the depreciation as per last tariff setting has been considered.

36. Based on the above, depreciation for individual items of capital expenditure has been calculated on the capital cost of Rs. 29856.58 lakh at the rates as prescribed in the notification dated 26.3.2001. While approving depreciation component of tariff, the weighted average depreciation rate of 2.70% has been worked out. For working out cumulative depreciation, the depreciation as per the Commission's order dated 4.7.2002 has been taken into consideration. The calculations in support of weighted average rate of depreciation of 2.70% are appended hereinbelow:

(Rs. in lakh)

Capital Expenditures as on 31.03.2001	Total Cost	FERV up to 31.3.2001	Total Including FERV	Rate of Depreciation	Amount of Depreciation
Land	95.26	0.36	95.62	0%	0.00
Building & Other Civil Works	852.38	3.25	855.63	1.80%	15.40
Sub-Station Equipment	4428.91	16.91	4445.82	3.60%	160.05
Transmission Line	24335.64	92.91	24428.55	2.57%	627.81
PLCC	30.83	0.12	30.95	6.00%	1.86
Total	**29743.02**	**113.56**	**29856.58**		**805.12**
Weighted Average Rate of Depreciation					**2.70%**

37. Accordingly, depreciation has been allowed as calculated below:

(Rs. in lakh)

		2001-02	2002-03	2003-04
Rate of Depreciation	2.70%			
Depreciable Value	26870.92			
Remaining Depreciable Value		25211.26	23917.94	23112.82
Depreciation		805.12	805.12	805.12

38. The difference in depreciation amount as claimed and as allowed are for the reasons that

(i) *Pro rata* reduction in admitted capital cost vide order dated 4.7.2002 in petition No 48/2002,

(ii) Allocation of the Foreign Exchange Rate Variation to transmission line, sub-station and PLCC only in the petition against all the heads of gross block in proportion to their ratio to the total gross block allowed in the calculations, and

(iii) Additions after 31.03.2001 considered for calculation of depreciation in the petition but not considered in the calculations as per the notification dated 26.03.2001.

ADVANCE AGAINST DEPRECIATION

39. 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. Advance Against Depreciation is computed in accordance with the following formula:

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

40. The petitioner has claimed Advance Against Depreciation on the basis of

(i) 1/12th of gross loan worked out as 50% of the gross block admitted by Ministry of Power in the notification for previous tariff setting,

(ii) Repayment of loans during the year, and

(iii) depreciation as claimed in the petition.

41. The entitlement of the petitioner has been considered in accordance with the notification dated 26.3.2001. In the calculations, Advance Against Depreciation has been worked out on the basis of gross loan and repayment (including of notional loan) and depreciation as worked out at para 37 above. The petitioner's entitlement to Advance Against Depreciation has been calculated as shown below:

(Rs. in lakh)

Advance Against Depreciation	**2001-02**	**2002-03**	**2003-04**
1/12th of Gross Loan(s)	1656.60	1656.60	1656.60
Scheduled Repayment of the Loan(s)	1293.32	491.99	2026.42
Minimum of the above	1293.32	491.99	1656.60
Depreciation during the year	805.12	805.12	805.12
Advance Against Depreciation	488.20	0.00	851.48

42. The table below gives the year-wise comparative details of Advance Against Depreciation claimed by the petitioner and that allowed :

(Rs in lakh)

Name of the Element	Year	AAD as claimed in the petition	AAD as worked out	Difference
(i) Bongaigaon-Malda Transmission Line	2001-02	583.65	488.20	(-)95.45
	2002-03	0.00	0.00	0.00
	2003-04	1014.18	851.48	(-)162.70

43. The reasons for difference are due to

(i) *Pro rata* reduction in loan due to reduction in admitted capital cost in the order dated 4.7.2002 in petition No 48/2000,

(ii) Foreign loans in foreign currency multiplying with exchange rate as on 31.03.2001 in the petition against exchange rate as on the date of commercial operation considered in the calculation, and

(iii) Division of the Foreign Exchange Rate Variation into notional loan and equity in the ratio of 50:50 in the petition against actual debt-equity ratio allowed in the calculation

OPERATION & MAINTENANCE EXPENSES

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

(i) Where operation and maintenance expenses, excluding abnormal operation and maintenance 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, operation and maintenance 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) = operation and maintenance expenses for substations (OMB)/Average number of bays (BN)

(ii) The five years average of the normalised operation and maintenance 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 operation and maintenance expenses per unit of line length and per bay for 1999-2000.

(iii) The normative operation and maintenance expenses per unit length and normative operation and maintenance 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 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 operation and maintenance expenses for the system.

(iv) The escalation factor of 6% per annum is to be used to revise normative base figure of operation and maintenance 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.

45. The petitioner has claimed operation and maintenance charges applicable to North-Eastern Region. The different elements of Operation & Maintenance expenses applicable for North-Eastern Region have been considered in the succeeding paragraphs in the light of provisions of the notification based on the data available since 1995-96.

Employee Cost

46. The petitioner has, *inter alia,* claimed incentive and *ex gratia* as a part of employee cost. The petitioner was asked to specify the amount of minimum statutory bonus paid to its employees under the Payment of Bonus Act. The petitioner has not submitted any information in respect of North-Eastern Region. However, for other regions, the petitioner has stated that the incentive paid to employees does not include minimum statutory bonus. The petitioner has further stated that the *ex grat*ia was being paid in lieu of bonus, as is customary and a normal practice followed in private and public sectors. The petitioner has also furnished a write-up on Incentive scheme in support of the claim. It has been clarified on behalf of the petitioner that even the top management of the petitioner company is paid incentive and *ex gratia* included as a part of employee cost in operation and maintenance expenses claimed. The payment of incentive other than the statutory minimum bonus is at the discretion of the petitioner company and should be borne out of its profits or incentive earned from the respondents for higher availability of the transmission system. In view of the

above, the incentive and *ex gratia* payments made by the petitioner to its employees have been kept out of consideration for calculation of employee cost.

47. The petitioner was directed to furnish details of the arrears on account of pay and allowances for the period prior to 1995-96, but paid between 1995-96 to 1999-2000. The petitioner has submitted the details of such arrears, amounting to Rs.2.70 lakh and Rs 9.16 lakh paid for North-Eastern Region during 1995-96 and 1996-97. The petitioner has also submitted that the arrears on account of pay revision from 01.01.97 to 31.03.2000 paid during the years 2000-01 and 2001-02 also. The amounts of these arrears as claimed by the petitioner are Rs.174.89 lakh and Rs. 193.93 lakh for North-Eastern Region for the years 2000-01 and 2001-02 respectively. The petitioner has prayed that the arrears on account of pay and allowances for the period prior to 1995-96 should be deducted while those pertaining to the period from 1995-96 to 1999-2000 but paid subsequent to 1999-2000 should be added to operation and maintenance charges. The petitioner has argued that since these pay arrears pertain to the period being considered for fixation of normative O&M, the arrears should be considered while fixing the normative O&M. We find the submission of the petitioner to be logical and have considered the submission in the calculation of employee cost.

Repair & Maintenance Expenses

48. The petitioner has submitted that the increase of 68 % in Repair & Maintenance expenses in 1998-99 (Rs 177.05 lakh) over the previous year (Rs 105.12 lakh) is due to major repair of the building and transmission line. Major repair is not a regular phenomenon and hence expenses on this account have to be

excluded for the process of normalization. Therefore, in line with the decision taken in respect of Southern Region and Eastern Region, in this case also the increase has been limited to 20% over and above the expenses for the previous year under this head. However, during the tariff period, if major repair have been carried out, the petitioner may approach the Commission with proper justification for claiming the actual expenses for such major repairs over and above the operation and maintenance charges approved by the Commission.

Power Charges

49. The petitioner vide affidavit dated 4th July 2003 has submitted the breakup of power charges between sub-stations and colonies. Since, power charges for residential quarters in the colony should be recovered from the employees, only power charges for sub-stations amounting to Rs 12.13 lakh, Rs 11.12 lakh, Rs 22.56 lakh, Rs 27.60 lakh and Rs 59.24 lakh for the five years from 1995-96 to 1999-2000 have been considered as admissible.

Insurance

50. It has been noted that the petitioner has a policy of self-insurance for which it has created the insurance reserve. The insurance charges claimed by the petitioner are credited to the insurance reserve. The petitioner was directed to furnish the management policy on creation of insurance reserve, items of loss secured and the conditions thereto. The petitioner has submitted insurance policy of the petitioner company . The key features of the policy submitted by the petitioner are as under:

(a) Insurance reserve is created @ 0.1% on gross value of fixed assets at the close of the year, to meet the future losses arising from uninsured risks, except machinery breakdown for valve hall of HVDC, and fire risk of HVDC equipment and SVC sub-stations.

(b) The policy generally covers following:

  (i) Fire, lightning, explosion/implosion, and bush fire

  (ii) Natural calamity: flood, earthquake, storm, cyclone, typhoon, tempest, hurricane, tornado, subsidence and landslide

  (iii) Riot, strike/ malicious and terrorist damage

  (iv) Theft, burglary, Missile testing equipment, impact damage due to rail/ road or animal, aircraft and articles dropped there from.

(c) The losses of assets caused by the above causes are adjusted against insurance reserve as per the corporation guidelines.

(d) The amount so set aside in the insurance reserve has not been separately claimed from the respondents and the expenses have been met from the permitted operation and maintenance charges under the tariff.

51. The petitioner has stated that the policy of self-insurance has also been followed by NHPC, where 0.5% per annum of the gross block of O&M projects is transferred to self-insurance reserve account. It has also been informed that the rate of 0.1% as booked under operation and maintenance expenses towards self-insurance reserve is lower than the insurance premium (0.22%) being charged by the insurance companies for the risks covered in the self-insurance policy. In support of this claim, the petitioner has placed on record a letter from Reliance General Insurance Company quoting for the insurance rate of the assets covered in the self-insurance policy of the petitioner company.

52. In view of the explanation furnished on behalf of the petitioner, the insurance charges as claimed have been considered in operation and maintenance expenses. We, however, make it explicit that the self-insurance provided by the petitioner is for replacement of the damaged assets and the beneficiaries shall not be charged anything in case of damage due to any of the events mentioned in the insurance policy.

Travelling Expenses

53. The petitioner has attributed increase in travelling expenses during this period to commissioning of new assets. It is noted that relatively larger number of bays and ckt-kms of line have been added during this period. In view of this, the explanation furnished by the petitioner has been accepted. Accordingly, the travelling expenses as claimed by the petitioner have been considered as admissible.

Miscellaneous Expenses

54. The petitioner has stated that the steep increase (exceeding 20%) in these expenses in the years 1997-98, 1998-99 and 1999-00 over the previous year is due to deployment of CISF for security. Abnormal security expenses should be excluded for the purpose of normalization. Hence, the security expenses for these years have been limited to 20% over and above the previous year, in the absence of break-up of security expenses. It is also noted that the steep increase in miscellaneous expenses is not merely due to increase in security expenses but mainly on account of increase in expenses on hiring of vehicles, which has not been explained by the petitioner. However, the justification in support of increase in travelling expenses can also be

applied for increase in expenses on hiring of vehicles also and hence the same has been considered admissible.

55. In case of training & recruitment expenses, communication expenses, and rent as claimed by the petitioner have been considered for calculation as these are found to be in order.

Other Expenses

56. In case of NERTS, the provision for Rs 6.96 lakh in 1996-97 for loss in transit, Rs 8.3 lakh in 1999-00 for shortage of stores and Rs 0.16 lakh in 1999-00 for doubtful loans and advances has not been considered admissible. These items are controllable by the petitioner and measures of the managerial efficiency of the petitioner. The beneficiaries are no way responsible for the loss to the petitioner due to above mentioned reasons. However, the provision for bad and doubtful claims has been considered admissible on the premise that the adjustments after payment of genuine claims will be reflected in the next year's balance sheet as prior period expenses.

Corporate Office Expenses

57. In case of Corporate Office, following expenses have not been admitted for reimbursement:

(a) Donation of Rs. 0.05 lakh, Rs. 30 lakh, Rs. 34.78 lakh and Rs. 600.03 lakh for the years 1995-96, 1996-97, 1898-99 and 1999-2000, as these donations are not related to transmission business. The expenditure on account of the donations need be borne by the petitioner out of other profits of the corporation.

(b) Provisions of Rs. 1107.61 lakh, Rs. 385.8 lakh and Rs. 0.27 lakh for the year 1996-97, 1997-98 and 1999-2000. These provisions were made for the loss of stores in Eastern Region and North Eastern Region, for bad and doubtful debt in Northern Region and for shortage of store in North Eastern Region. As all these items are controllable by the petitioner and reflect the managerial efficiency. However, an amount of Rs. 11.14 lakh on account of fire at the corporate office in 1998-99 has been considered as admissible under the head provisions.

(c) Legal expenses amounting to Rs. 2.65 lakh in the Corporate Office on legal opinion on CERC matters have not been allowed in line with the Commission's policy of allowing only the fees for the petitions filed in the Commission. However, other legal expenses for disputes related to compensation, contracts, service matters and labour cases have been admitted.

Recoveries

58. The details of the recoveries for the NERTS were furnished by the petitioner vide affidavit dated 4th July 2003. The recoveries totaling to Rs 2.07 lakh, 2.24 lakh, 4.18 lakh, 32.84 lakh and 40.32 lakh for five years have bee deducted from the operation and maintenance expenses to arrive at net operation and maintenance expenses.

Allocation of Corporate Office Expenses

59. The petitioner has submitted the method for allocation of Corporate Office expenses to various Regions. The key steps in the apportionment of Corporate Office expenses among the regions are as under:

(i) Expenses booked under Training & Recruitment, Directors sitting fees, provisions, R&D, Write off of fixed assets/ non-operating expenses and donations are considered exclusively as O&M expenses.

(ii) After deducting these exclusive O&M expenses, the balance Corporate Office expenses are allocated in the ratio of Transmission charges to annual Capital outlay to obtain expenses allocated to O&M and construction activity.

(iii) The allocation to O&M activity obtained in step (ii) is added to exclusive O&M expenses obtained in step (i) to arrive at total O&M expenses in the Corporate Office.

(iv) RLDC expenses are then deducted from the total O&M expenses obtained in step (iii) to arrive at O&M expenses allocated to transmission business.

(v) O&M expenses allocated to transmission business are then allocated to various regions in the ratio of their respective transmission charges.

60. The methodology adopted by the petitioner for allocation of Corporate Office O&M expenses has been approved and followed in the calculation of O&M expenses. The comparative statement of O&M expenses claimed by the petitioner and those allowed and considered for the years 1995-96 to 1999-2000 for the purpose of computation of O&M expenses for the tariff period are given herein below:

DETAILS OF operation and maintenance EXPENSES FOR POWERGRID SYSTEM IN NORTH-EASTERN REGION

(All Figures in Rs. Lakhs)

Items	1995-96		1996-97		1997-98		1998-99		1999-2000	
	As per Petitioner	As allowed for	As per Petitioner	As allowed for	As per Petitioner	As allowed for	As per Petitioner	As allowed for	As per Petitioner	As allowed for
Employee Cost	379.73	338.97	552.37	498.00	780.11	839.30	978.18	1039.04	1651.87	1470.93
Repair & Maintenance	104.29	104.29	102.50	102.50	105.12	105.12	177.05	126.14	161.87	161.87
Power Charges	19.01	12.13	20.22	11.12	28.16	22.56	40.27	27.60	72.81	59.24
Training & Recruitment	8.39	8.39	10.56	10.56	8.23	8.23	9.21	9.21	3.06	3.06
Communications	32.46	32.46	32.73	32.73	45.40	45.40	60.28	60.28	56.10	56.10
Travelling	52.94	52.94	75.25	75.25	104.46	104.46	133.49	133.49	161.78	161.78
Printing & Stationery	5.82	5.82	6.02	6.02	6.43	6.43	11.28	11.28	10.86	10.86
Rent	3.34	3.34	5.50	5.50	6.02	6.02	8.66	8.66	10.31	10.31
Miscellaneous Expenses	60.45	60.45	43.43	43.43	66.51	63.31	104.64	96.74	162.83	140.48
Insurance	15.18	15.18	14.72	14.72	28.89	28.89	63.89	63.89	101.85	101.85
Others	103.54	103.54	32.09	25.13	0.55	0.55	22.25	22.25	49.71	41.25
Corporate office expenses	62.72	61.39	106.01	52.17	113.70	98.08	135.33	135.03	191.49	154.85
TOTAL	**847.87**	**798.90**	**1001.40**	**877.13**	**1293.58**	**1328.35**	**1744.53**	**1733.62**	**2634.54**	**2372.58**
Less : Recoveries		2.07		2.24		4.18		32.84		40.32
Net O&M Expenses	**847.87**	**796.83**	**1001.40**	**874.89**	**1293.58**	**1324.17**	**1744.53**	**1700.78**	**2634.54**	**2332.26**

Method of Normalizing operation and maintenance Expenses

61. The following formulae for calculation of normative operation and maintenance expenses as per the notification, as amended vide Central Electricity Regulatory Commission (Terms and Conditions of Tariff) (Second Amendment) Regulations, 2003 published in the Gazette of India on 2.6.2003 have been followed:

$$AVOMLL = \frac{1}{5} \sum_{i\ =\ 1995\text{-}1996}^{1999\text{-}2000} \left| \frac{OML\ i}{LL\ i} \right|$$

$$AVOMBN = \frac{1}{5} \sum_{i\ =\ 1995\text{-}1996}^{1999\text{-}2000} \left| \frac{OMS\ i}{BN\ i} \right|$$

Where:

AVOMLL and AVOMBN are average normalized operation and maintenance expenses per Ckt. km of line length and per bay respectively.

OML_i and OMS_i are operation and maintenance expenses for the lines and for the sub-stations for the i^{th} year respectively.

LL_i and and BN_i are the total line length in Ckt. km and total number of bays in the i^{th} year respectively.

62. As per the above method, AVOMLL and AVOMBN are calculated based on the data for the years 1995-96 to 1999-2000. These normalised averages correspond to the year 1997-98. After escalating these averages by 10% per annum for two years, the normative operation and maintenance expenses for the base year 1999-2000 have been obtained. Normative operation and maintenance expenses for subsequent years are obtained by escalating these normative figures by 6% per annum. The following table gives comparison of the normative operation and maintenance expenses as calculated by the petitioner and as per our calculations allowed for the base year i.e. 1999-2000 and afterwards:

NORMALIZED operation and maintenance EXPENSES FOR NORTH- EASTERN 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)	796.83	874.89	1324.17	1700.78	2332.26						
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)	796.83	874.89	1324.17	1700.78	2332.26						
4	**OML** (O&M for lines)= 0.7 X S. NO.3	557.78	612.43	926.92	1190.55	1632.58	**4920.26**					
5	**OMS** (O&M for substation) = 0.3XS.NO.3	239.05	262.47	397.25	510.23	699.68	**2108.68**					
6	Line length at beginning of the year in Kms.	894.73	1057.59	1304.63	1663.09	2285.10						
7	Line length added in the year in Kms.	162.86	247.04	358.46	622.01	1340.59						
8	Line length at end of the year in Kms.	1057.59	1304.63	1663.09	2285.10	3625.69						
9	LL (Average line length in the Region)	976.16	1181.11	1483.86	1974.10	2955.40	**8570.63**					
10	NO. of bays at beginning of the year	15	15	21	27	36						
11	NO. of bays added in the year	0	6	6	9	36						
12	NO. of bays at the end of the year	15	21	27	36	72						
13	BN (Average number of bays in the Region)	15.0	18.0	24.0	31.5	54.0	**142.50**					
14	AVOMLL(OML/LL)	0.57	0.52	0.62	0.60	0.55	2.870					
15	AVOMBN(OMS/BN)	15.94	14.58	16.55	16.20	12.96	76.225					
16	**NOMLL(allowable O&M per unit of line length)**			**0.5740**	**0.6314**	**0.6946**		**0.6946**	**0.7362**	**0.7804**	**0.8272**	**0.8769**
17	**NOMBN(Allowable O&M per bay)**			**15.2450**	**16.7696**	**18.4465**		**18.4465**	**19.5533**	**20.7265**	**21.9701**	**23.2883**
18	**NOMLL(as calculated by petitioner)**			**0.61**				**0.74**	**0.78**	**0.83**	**0.88**	**0.93**
19	**NOMBN(as calculated by petitioner)**			**16.21**				**19.62**	**20.80**	**22.05**	**23.37**	**24.77**

6.3 The differences in NOMLL and NOMBN as calculated by the petitioner and as allowed are mainly on account of certain expenses disallowed by us as explained in preceding paragraphs. Using these normative values, operation and maintenance charges have been calculated.

64. In our calculations the escalation factor of 6% per annum has been used. In accordance with the notification, 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).

65. The details of operation and maintenance expenses allowed are given hereunder:

2001-02			**2002-03**			**2003-04**		
Line length in Ckm	**No. of bays**	**O&M expenses (Rs. in lakh)**	**Line length in Ckm**	**No. of bays**	**O&M expenses (Rs. in lakh)**	**Line length in Ckm**	**No. of bays**	**O&M expenses (Rs. in lakh)**
864	**4**	**757.172**	**864**	**4**	**802.581**	**864**	**4**	**850.765**

RETURN ON EQUITY

66. In accordance with the notification, the petitioner is entitled to return on equity at the rate of 16% per annum.

67. The equity up to 31.03.2001 as considered by the Commission in previous tariff setting along with notional equity arising out of the Foreign Exchange Rate Variation worked out above has been considered for working out the return on equity. Thus, the following amount of equity has been considered in the calculation of return of equity:

	Rs. In lakh
Pro rata Equity allowed by the Commission for previous tariff setting	9939.40
Notional Equity arising out of FERV	37.95
Total	9977.35

68. On the above basis, the petitioner shall be entitled to return on equity of Rs. 1596.38 lakh each year during the tariff period, by considering return @ 16%.

69. The difference in Return on Equity as claimed and as worked out is due to

(i) *Pro rata* reduction in equity due to reduction in admitted capital cost at the time of previous tariff setting,

(ii) Additional equity corresponding to capital expenditure subsequent to 31.03.2001 considered in the petition which has not been considered in the present order, and

(iii) Division of the Foreign Exchange Rate Variation into notional loan and equity in the ratio of 50:50 in the petition against actual debt-equity ratio considered in the calculation.

INTEREST ON WORKING CAPITAL

70. 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 operation and maintenance of the transmission system; and

(c) Receivables equivalent to two months' average billing calculated on normative availability level, which is 98%.

71. The petitioner has claimed the maintenance spares on the basis of maintenance spares allowed in the previous tariff setting escalating the same as per weighted price index taking into account 60% of weightage for WPI & 40% of CPI and @ 6% per annum for the years 2001-2002 to 2003-2004. The amount of capitalised initial spares has been indicated as Nil in Form-6 of the petition.

72. In keeping with the above methodology, working capital has been worked out. Amount of spares in working capital calculations for the tariff period 1.4.2001 to 31.3.2004 have been worked out @ 1% of approved capital cost as on 1.4.1997 and the same has been subsequently escalated as per WPI/CPI for the respective years upto 31.3.2004 and thereafter escalation @ 6% per annum has been considered. The value of initial capitalised spares has not been considered as the transmission system is more than 5 years old. 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 despite the objection of some of the respondents. The detailed calculations in support of Interest on Working Capital are as under:

Interest on Working Capital

(Rs. In lakh)

Working Capital		**2001-02**	**2002-03**	**2003-04**
Escalation for Maintenance Spares	6%			
Period in 2000-01	0.92			
On Capital Expenditures upto DOCO	297.43			
On Capital Expenditures during the year 2000-01	0.00			
Maintenance Spares	297.43			
Less: 1/5 th of Initial Spares	8.75			
Maintenance Spares	288.68	306.00	324.36	343.83
O & M expenses		63.10	66.88	70.90
Receivables		1045.92	950.28	1075.70
Total		1,415.03	1,341.53	1,490.42
Rate of Interest		11.50%	11.50%	11.50%
Interest		**162.73**	**154.28**	**171.40**

<u>TRANSMISSION CHARGES</u>

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

TABLE

(Rs. in lakh)

Transmission Tariff	**2001-02**	**2002-03**	**2003-04**
Interest on Loan	2465.94	2343.29	2179.05
Interest on Working Capital	162.73	154.28	171.40
Depreciation	805.12	805.12	805.12
Advance against Depreciation	488.20	0.00	851.48
Return on Equity	1596.38	1596.38	1596.38
O & M Expenses	757.17	802.58	850.77
Total	**6275.54**	**5701.65**	**6454.20**

74. 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 operation and maintenance charges.

75. The petitioner is already billing the respondents on provisional basis in accordance with the Commission's notification dated 4.4.2001 as extended from time to time. The provisional billing of tariff shall be adjusted in the light of final tariff now approved by us. The adjustment of the transmission charges already recovered is also subject to the directions of the superior courts.

76. The transmission charges approved by us shall be included in the regional transmission tariff for Eastern Region and shall be shared by the regional beneficiaries in accordance with the notification.

77. This order disposes of Petition No.71/2002.

Sd/-	**Sd/-**
(K.N. SINHA)	**(ASHOK BASU)**
MEMBER	**CHAIRMAN**

New Delhi dated the 13th April 2004