

Name of the asset	Apportioned approved cost	Expenditure up to 31.03.09/DOCO	Projected 2009-10	Projected exp. 2010-11	Balance estimated 01.12.09 to 31.03.10	Total
Combined assets of Asset I & IV (Notional DOCO: 01.01.2009)	4806.33	4096.87	124.8	382.8	-	4604.47
Combined assets of Asset II & III (Notional DOCO: 01.12.2008)	4915.37	3158.09	466.46	393.52	-	4018.07

8.1) That as per the regulation, the useful life of the assets (25 years for S/S and 35 years for Transmission Lines) is governed by the respective actual DOCOs of the assets being combined to calculate the transmission charges. After completing the useful life by the respective assets (to be reckoned from the actual DOCO), full recovery of depreciation (90% of the Gross Block) of the asset would be deemed to have been achieved. The ADDCAP in the said asset, if any, thereafter shall be dealt accordingly. Any recovery of depreciation for the combined asset would be considered as recovery of depreciation for the remaining assets, excluding the asset which has achieved the useful life.

9.0) TRANSMISSION TARIFF

9.1) The tariff for block 2009-2014 has been worked out as per CERC (Terms and Conditions of Tariff) Regulations, 2009, issued vide notification dated. 19.01.2009. In the present petition the transmission tariff has been calculated taking actual expenditure upto DOCO and projected additional capitalization from DOCO to 31.03.2014 calculations for working out the tariff along with supporting documentation are attached hereto as Encl.- 3, (page 43 to 84...).

The annual transmission tariff for the tariff period 2009-14 is summarized as below:

(Rs in Laks)

Sl No.	Name of the asset	2009-10	2010-11	2011-12	2012-13	2013-14
1	Combined assets of Asset I & IV (Notional DOCO: 01.01.2009)	758.04	784.27	798.82	779.64	760.69
2	Combined assets of Asset II & III (Notional DOCO: 01.12.2008)	914.84	985.63	1019.64	1022.15	1026.02

9.2 That the asset covered in the petition was put under Notional DOCO on 01.12.2008 and 01.01.2009 and accordingly will complete 12 years beyond 2013-14 and thus depreciation for 2009-14 period has been calculated as per straight line method and rates as specified in appendix III of the Regulation 2009 and these details are provide in Form-11.

9.3 That, it is submitted in the Tariff indicated at 9.1 above, the ROE has been calculated @ 17.481 % based on the rate notified by the Hon'ble Commission as per illustration under regulation 15 (4) (i) of the CERC (Terms and Conditions of Tariff) Regulations, 2009. It is further submitted that the above rate of 17.481 % is based on the MAT rate of 11.33 % being applicable for the year 2008-09.



That, as per the Finance Act, 2009, the applicable MAT rate was revised from 10% to 15%. That as per Finance Act 2010, MAT is further revised to 18% and surcharge is revised to 7.5% from 10%.

It is therefore submitted that Tariff as indicated at 9.1 above be approved by the Hon'ble Commission. However, keeping in view the trend of revisions in tax rates as is being witnessed in the two years of the five year tariff block and to avoid accumulation of huge arrears and interest thereupon, it is proposed to invoke the provision of Regulations 44 (Power to Relax) of CERC (Terms and Conditions of Tariff) Regulations,2009, for relaxation of Regulation 15(3), CERC (Terms and Conditions of Tariff) Regulations,2009 so that grossing up the base rate of RoE may be allowed considering the tax rates viz., MAT, surcharge, any other cess, charges, levies etc., as per the relevant Finance Act and accordingly consequential impact of tariff on account of truing up may be allowed to be billed and settled directly with the beneficiaries every year in the tariff block.

- 9.4 The transmission charges at para-9.1 above is inclusive of O&M expenses for the project derived based on the norms for O&M expenditure as specified under regulation 19(g) of the tariff regulations for block 2009-14. It is the understanding of the petitioner that these norms for O&M expenditure been arrived by the Hon'ble Commission after considering (i) normalized actual O&M expenses of the petitioner on its various projects in various regions during the year 2003-04, 2004-05, 2005-06, 2006-07, 2007-08, (ii) the base norms so arrived is escalated at 5.72% per annum to arrive at norms for years of tariff period 2009-14, (iii) and also wage hike of 50% on account of pay revision of the employees of Public Sector Undertakings. It is submitted that the wage revision of the employees of the petitioner company is due w.e.f. 1.1.2007 and actual impact of wage hike is still not known. The petitioner reserves the right to approach the Hon'ble Commission for suitable revision in the norms for O&M expenditure in case the impact of wage hike is more than 50%.

Petitioner submits that the License fee has been a new component of cost to the Transmission license under O&M stage of the project and has become incidental to the petitioner / CTU only from 2008-09. No such cost component was incidental during the remaining years of the block (i.e. 2004-08). Normative O&M rates arrived for 2009-14 in the CERC (Terms and Conditions of Tariff) Regulations, 2009 as such did not capture the costs associated with the License fees.

It is therefore submitted that License fee may be allowed to be recovered separately from the respondents.

- 9.5 That Interest on Loan has been calculated on the basis of rate prevailing as on 01.04.2009. The change in Interest rate due to floating rate of interest applicable, if any, for the project needs to be claimed / adjusted over the tariff block of 05 years directly from / with the beneficiaries as was being followed during the tariff block 2004-09

- 9.6 The Transmission Charges and other related Charges indicated at para 9.1 above, is exclusive of incentive, late payment surcharge, FERV, any statutory taxes, levies, duties, cess, filing fees, license fee or any other kind of imposition (s) and/ or other surcharges etc. whatsoever imposed / charged by any Government (Central/State) and / or any other local bodies/authorities/regulatory authorities in relation to transmission of electricity, environmental protection, and/or in respect of any of its installation associated with the Transmission Scheme and the same shall be borne and additionally paid by the respondent(s) to the petitioner and the same shall be charged, billed separately by the petitioner on the respondents.



9.7 Service Tax:

That the CESTAT in the case of M.P.Power Transmission Co. Ltd. V.CCE(2008-TIOL-940 CESTAT-DEL) gave a prima facie finding while passing an order in a stay application, that the charges recovered for transmission of electricity by the transmission company would be liable to service tax under the category of 'Support services of business or commerce' ('BSS'). The Tribunal found that the services provided by the activities of a power transmission company have a very close nexus with the activities of power generating and distribution companies and that the business of generation and sale of electricity cannot be completed without the support of the transmission company. While passing the order, the Tribunal relied on two expressions viz (a) services provided in relation to business or commerce and (b) managing distribution and logistics used in the definition of Business Support Service to demand service tax.

The petitioner, Power Grid Corporation of India Ltd., is a government enterprise, which transmits power through its transmission system from Generating Plant to distribution centers/ bulk consumers, shall also be liable to pay service tax in view of above order.

That order of Commissioner, Central Excise Shillong regarding non registration and non payment of Service Tax on Transmission charges and demand for payment of Service Tax on Transmission charges has been received on 23.11.2009. The petitioner is contesting the above at CESTAT, Kolkata.

However, CBEC has now exempted service tax on transmission vide notification No.: 11/2010 – Servicer Tax dated 20th July 2010. Further, CBEC also has exempted levy of service tax on transmission for the past period upto 26.02.2010 vide notification No.: 45/2010 – servicer tax dated 20th July 2010.

The Transmission Charges indicated at para 9.1 above, is exclusive of Service Tax and the same shall be borne and additionally paid by the respondent(s) to the petitioner and the same shall be charged, billed separately by the petitioner in case the exemption as above is withdrawn in future.

10) Sharing of Transmission Charges:

- i. Tariff for Transmission of Electricity (Annual Fixed Cost) as per sl 1 of para 9.1 above shall be recovered on monthly basis in accordance with Regulation 23 and shall be shared by the WR respondents in accordance with regulation 33 of CERC (Terms and Conditions of Tariff) Regulations, 2009.
- ii. Tariff for Transmission of Electricity (Annual Fixed Cost) as per sl 2 of para 9.1 above shall be recovered on monthly basis from MPPTC in accordance with CERC order dated 28.03.2008 in petition no. 85/2007 (Suo-Moto).

PRAYER

- 1) Approve the Transmission Tariff for the assets covered under this petition, as per para – 9 above.
- 2) In addition, invoke the provision of Regulations 44 (Power to Relax) of CERC (Terms and

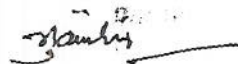


Conditions of Tariff) Regulations,2009, for relaxation of Regulation 15(3), CERC (Terms and Conditions of Tariff) Regulations,2009 so that grossing up the base rate of RoE may be allowed considering the tax rates viz., MAT, surcharge, any other cess, charges, levies etc., as per the relevant Finance Act and accordingly consequential impact of tariff on account of truing up may be allowed to be billed and settled directly with the beneficiaries every year in the tariff block.

- 3) In case of the assets being combined to calculate the transmission charges, allow the petitioner to recover full depreciation (90% of the Gross Block) of the assets during its useful life (25 years for S/S and 35 years for Transmission Lines) reckoning from its actual DOCO. Hon'ble Commission may also be pleased to permit the petitioner to treat the recovery of depreciation after achieving the useful life by an asset (to be reckoned from the actual DOCO) in accordance with para 8.1.
- 4) Approve the reimbursement of expenditure by the beneficiaries towards petition filing fee, and publishing of notices in newspapers in terms of Regulation 42 CERC (Terms and Conditions of Tariff) Regulations,2009, and other expenditure (if any) in relation to the filing of petition.
- 5) Allow the petitioner to bill and adjust impact on Interest on Loan due to change in Interest rate on account of floating rate of interest applicable during 2009-14 period, if any, from the respondents
- 6) Allow the petitioner to bill and recover Licensee fee separately from the respondents.

and pass such other relief as Hon'ble Commission deems fit and appropriate under the circumstances of the case and in the interest of justice .

**FILED BY
POWER GRID CORPORATION OF INDIA LTD.
REPRESENTED BY**



**B. C. Pant
CHIEF MANAGER (COMMERCIAL)**

**GURGAON
DATED: 26.07.2010**



Calculation of Interest on Working Capital

Name of the Transmission Licensee:

POWERGRID CORPORATION OF INDIA LTD.

Name of Region:

WESTERN REGION

Name of the Project:

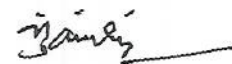
WRSS-IV

Name of the Transmission Element:

Combined assets of 400/220 kV Damoh S/S along with bays associated and 400 kV 63 MVAR Bus Reactor along with associated 400 kV bay at Damoh S/S (Notional DOCO : (01-JAN-2009)

(Rs in Lacs)

SLN o.	Particulars	Existing 2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
1	2	3	4	5	6	7	8
1	O and M Expenses		4.37	4.62	4.88	5.16	5.46
2	Maintenance Spares		7.86	8.31	8.79	9.29	9.82
3	Receivables		126.34	130.71	133.14	129.94	126.78
4	Total Working Capital		138.57	143.64	146.81	144.39	142.06
5	Rate of Interest		12.25	12.25	12.25	12.25	12.25
6	Interest on Working Capital		16.97	17.60	17.98	17.69	17.40



Petitioner





भारतीय स्टेट बैंक
State Bank of India

कॉर्पोरेट लेखा समूह शाखा, जवाहर व्यापार भवन,
11वां व 12वां तल, 1, टॉलस्टोय मार्ग, नई दिल्ली-110001
Corporate Accounts Group Branch Jawahar Vyapar Bhawan,
11th & 12th Floor, 1, Tolstoy Marg, New Delhi-110001

Tel.: COO - 23353022/23374560, IB - 23352968/23374551 Fax: 23353029, CS - 23356817/23374571, Fax: 23352793
DGM Sectt.: 23374510/23374520, Fax: 23353101, AMT-1 to 7 - 23374501 to 23374507

Date :

Ref. No.:

TO WHOM SOEVER IT MAY CONCERN

01.04.2009

Certificate : State Bank of India Advance Rate (SBAR)

We hereby certify that the State bank of India Advance Rate (SBAR) is 12.25%
p.a. as on 01.04.2009.

Asstt. General Manager &

Relationship Manager

ATTESTED TRUE COPY

Authorised Signatory
Power Grid Corporation
Plot No. 2, Sector-29, Gurgaon-122001

Summary Sheet

Name of the Transmission Licensee:

POWERGRID CORPORATION OF INDIA LTD.

Name of Region:

WESTERN REGION

Name of the Project:

WRSS-IV

Name of the Transmission Element:

Combined of ICT-I 400/220 kV Damoh S/S and 400/220 kV, 315 MVA 2nd ICT alongwith associated 400kV & 220kV bays at Damoh S/S (Notional DOCO: (01-DEC-2008))

Sl.No.	Particulars	Form No.	Existing 2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
1	2	3	4	5	6	7	8	9
1	Depreciation	FORM-12	54.68	174.72	192.16	200.48	200.48	200.48
2	Interest on Loan	FORM-13A	100.70	209.43	219.65	214.10	195.23	176.43
3	Return on Equity	FORM-01A	64.00	177.85	200.40	210.72	210.72	210.72
4	Interest On Working Capital	FORM-13B	10.25	27.96	29.94	31.20	31.84	32.55
5	O & M Expenses		120.64	324.88	343.48	363.14	383.88	405.84
6	Total		350.27	914.84	985.63	1,019.64	1,022.15	1,026.02

Mishra
Petitioner



Calculation Of Return On Equity

Name of the Transmission Licensee:

POWERGRID CORPORATION OF INDIA LTD.

Name of Region:

WESTERN REGION

Name of the Project:

WRSS-IV

Name of the Transmission Element:

Combined of ICT-I 400/220 kV Damoh S/S and 400/220 kV, 315 MVA 2nd ICT alongwith associated 400kV & 220kV bays at Damoh S/S(Notional DOCO: (01-DEC-2008)

Particulars	(Rs in Lacs)						
	Existing 2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	
1	2	3	4	5	6	7	
Equity as DOCO	944.24	947.41	1,087.35	1,205.40	1,205.40	1,205.40	
Notional Equity for Add Cap	3.17	139.94	118.06				
Total Equity	947.41	1,087.35	1,205.40	1,205.40	1,205.40	1,205.40	
Return on Equity @ 17.481%	64.00	177.85	200.40	210.72	210.72	210.72	

Jainy
Petitioner

