Before the

MAHARASHTRA ELECTRICITY REGULATORY COMMISSION

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Case No. 167 of 2011

IN THE MATTER OF

Reliance Infrastructure Limited's Transmission Business (RInfra-T) Petition for approval of Aggregate Revenue Requirement (ARR) for FY 2011-12 under the provisions of MERC (Terms and Conditions of Tariff) Regulations, 2005

Shri. V.P. Raja, Chairman

Shri Vijay L. Sonavane, Member

Reliance Infrastructure Limited ....Petitioner

ORDER

Date: 17 May, 2012

In accordance with the MERC (Terms and Conditions of Tariff) Regulations, 2005 of the Maharashtra Electricity Regulatory Commission (The Commission), Reliance Infrastructure Limited's Transmission Business (herein referred as RInfra-T for the sake of brevity), submitted its Petition for approval of Aggregate Revenue Requirement (ARR) for FY 2011-12, on affidavit. The Commission, in exercise of the powers vested in it under Section 61 and Section 62 of the Electricity Act 2003 (EA 2003) and all other powers enabling it in this behalf, and after taking into consideration all the submissions made by RInfra-T, all the objections and comments of the public, responses of RInfra-T, issues raised during the Public Hearing, and all other relevant material, approves the Aggregate Revenue Requirement for FY 2011-12, in this Order.

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List of Abbreviations

A&G	Administrative and General
APR	Annual Performance Review
ARR	Aggregate Revenue Requirement
ATE	Appellate Tribunal for Electricity
BSES	BSES Limited (now known as Reliance Infrastructure Limited)
Commission/MERC	Maharashtra Electricity Regulatory Commission
CPI	Consumer Price Index
Capex	Capital Expenditure
DPR	Detailed Project Report
EA 2003	Electricity Act, 2003
EHV	Extra High Voltage
GFA	Gross Fixed Assets
GIS	Gas Insulated Substation
HO	Head Office
HPCL	Hindustan Petroleum Corporation Limited
IOCL	Indian Oil Corporation Limited
InSTS	Intra-State Transmission System
kV	Kilo Volt
LILO	Loop In Loop Out
MCGM	Municipal Corporation of Greater Mumbai

MSETCL	Maharashtra State Electricity Transmission Company Limited
MSLDC	Maharashtra State Load Dispatch Centre
MYT	Multi Year Tariff
O&M	Operation & Maintenance
PLR	Prime Lending Rate
R&M	Repair & Maintenance
REL	Reliance Energy Limited
RInfra	Reliance Infrastructure Limited
RInfra-D	Reliance Infrastructure Limited - Distribution Business
RInfra-T	Reliance Infrastructure Limited Transmission Business
RoE	Return on Equity
SBI	State Bank of India
SS	Shared Services
TSU	Transmission System Utility
TVS	Technical Validation Session
WPI	Wholesale Price Index

1. INTRODUCTION

1.1. Background

1.1.1. This Order disposes of the Petition filed by Reliance Infrastructure Limited for its Transmission Business (RInfra-T) for approval of Aggregate Revenue Requirement (ARR) for FY 2011-12.

1.1.2. RInfra (formerly known as BSES Ltd and Reliance Energy Limited [REL]) is a vertically integrated utility carrying out the functions of generation, transmission, wheeling and retail supply of electricity in the suburbs of Mumbai. RInfra-T's present transmission network consists of around 491.27 ckt-kms of 220 kV lines, six 220 kV EHV stations with total capacity of 2350 MVA and associated infrastructure at Aarey, Goregaon, Gorai, Ghodbunder, Saki and Versova.

1.1.3. RInfra-T has been granted a transmission licence in Maharashtra vide the Commission's Order dated 11 August 2011 in Case No. 70 of 2011 and transmission licence no. 1 of 2011. As per the licence, RInfra-T is a transmission licensee under Alternative 2, in accordance with the MERC (Transmission Licence Conditions) Regulations, 2006 for a period of 25 years w.e.f. 16 August, 2011.

1.2. Tariff Regulations

1.2.1. The Commission, in exercise of the powers conferred upon it by the Electricity Act, 2003 (EA 2003) notified the Maharashtra Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2005 on 26 August, 2005.

1.3. Commission's Order dated 3 October, 2006 on ARR and Tariff Petition for FY 2005-06 and FY 2006-07

1.3.1. Reliance Energy Limited (REL) filed its ARR Petition for FY 2005-06 on 1 March, 2005 based on the draft Tariff Regulations. In regard to this, the Commission issued a direction vide letter dated 10 October, 2005. REL in compliance of the direction, submitted a revised ARR Petition for FY 2005-06, providing the break-up of ARR of generation, transmission and distribution function on 22 November, 2005.

1.3.2. Subsequently, REL submitted its ARR and Tariff Petition for FY 2006-07 on 24 February, 2006. After two Technical Validations Sessions, the Commission, vide letter dated 3 May, 2006; directed REL to submit a revised ARR and Tariff Petition for FY 2006-07; including a separate section on Truing Up of ARR for FY 2005-06. REL submitted its revised ARR and Tariff Petition for FY 2006-07 on 10 May, 2006. The Commission admitted the ARR Petition of REL for FY 2005-06 (Case No. 25 of 2005) and ARR & Tariff Petition of REL for FY 2006-07 (Case No. 53 of 2005) on 18 May, 2006. The Commission issued Order on the said Petitions of REL on 3 October, 2006.

1.4. Hon'ble ATE's Judgement dated 4 April, 2007 on appeal of REL in Appeal No. 251 of 2006

1.4.1. The Commission's Tariff Order dated 3 October, 2006 dealt with the Truing Up of cost and revenues for FY 2004–05 and FY 2005–06 based on actuals. REL challenged this Order before the Hon'ble Appellate Tribunal for Electricity (ATE) on the following issues:

a. Disallowance of actual employee expenditure and A&G expenditure for FY 2004-05, FY 2005-06 and FY 2006-07;

b. Disallowance of actual R&M expenditure for FY 2006-07;

c. Disallowance of higher Income Tax for FY 2004-05 and FY 2005-06;

d. Direction to reduce distribution loss level in FY 2006-07;

e. Deviation in the operating norms of station heat rate, auxiliary consumption and secondary oil consumption for generation vis-à-vis the norms stipulated in the MERC Tariff Regulations; and

f. Reversal of treatment on rebate given by REL to its consumers on account of the Hon'ble ATE's ruling dated 22 May, 2006; by including it in the ARR of REL; as a distribution licensee in the manner set out in paragraph 7.16 and 7.17 of the Tariff Order for FY 2006-07. This issue was subsequently not pressed by REL, since the matter was sub-judice before the Hon'ble Supreme Court.

1.4.2. The Hon'ble ATE upheld the appeal of REL in its Judgement in the above referred appeal, the details of which are given below:

a. The Hon'ble ATE upheld REL's appeal in regard to the claim of allowing the actual employee expenditure, A&G expenditure and income tax of Rs 207.34 crore, Rs 102.02 crore and Rs 101 crore, respectively, for FY 2004-05. As against this, the Commission had approved Rs 161.85 crore, Rs 74.05 crore and Rs 7.64 crore, for the respective heads.

b. The Hon'ble ATE also upheld REL's appeal in regard to the claim of allowing the actual employee expenditure, A&G expenditure and income tax of Rs 207.26 crore, Rs 101.64 crore and Rs 74 crore, respectively, for FY 2005-06. As against this, the Commission had approved Rs 182.76 crore, Rs 77.48 crore and Rs 26.96 crore, for the respective heads.

c. The Hon'ble ATE upheld REL's appeal in the context of applicability of norms stipulated under the Tariff Regulations. The Hon'ble ATE ruled that, the Commission should not deviate from the operating norms for station heat rate, auxiliary consumption and specific consumption of secondary fuel as specified in the MERC Tariff Regulations, 2005, even though REL's performance was better than the norms.

1.5. Commission's Order dated 2 April, 2007 on MYT Petition of REL-T for FY 2007-08 to FY 2009-10

1.5.1. REL submitted its ARR and Multi Year Tariff (MYT) Petition for its transmission business for the first Control Period from FY 2007-08 to FY 2009-10 on 16 January, 2007. The Commission issued the MYT Order for REL-T on 2 April 2007, which came into effect from 1 April, 2007. As the APR for FY 2007-08 and Tariff determination for FY 2008-09 were under process, various utilities filed Petitions for continuation of revenue requirement determined for FY 2007-08; till the Orders for each of the utilities were issued.

1.5.2. Accordingly, the Commission, vide Order dated 1 April, 2008 in Case No. 102 of 2007, extended the applicability of the aforesaid Tariff Orders for the utilities; till the revised Tariffs under the APR framework were determined for FY 2008-09.

1.6. Commission's Order dated 26 May, 2008 on APR Petition for REL-T for FY 2007-08 and Determination of Revenue Requirement for FY 2008-09

1.6.1. REL-T submitted its Petition for APR for FY 2007-08 and determination of Tariff for FY 2008-09 on 30 November, 2007. The Commission issued an Order on 26 May, 2008 which came into effect from 1 June, 2008. The tariffs were initially valid up to 31 March, 2009 which was later extended till the revised tariff was determined for FY 2009-10; vide the Commission's Order dated 15 April, 2009 in Case Nos. 152, 153 and 154 of 2008.

1.6.2. REL-T appealed against the said Order on the issue of sharing of efficiency gains and losses, income tax computation and computation of transmission system availability, before the Hon'ble ATE (Appeal No. 115 of 2008). The Hon'ble ATE upheld the appeal in Judgement dated 28 May, 2009.

1.7. Commission's Order dated 28 May, 2009 on APR Petition for FY 2008-09 and Determination of Revenue Requirement for FY 2009-10

1.7.1. RInfra-T submitted its Petition for APR for FY 2008-09 and Annual Revenue Requirement for FY 2009-10 on 10 December, 2008 in Case No. 119 of 2008. The Commission issued the APR Order for RInfra-T on 28 May, 2009 which came into effect from 1 June, 2009.

1.7.2. RInfra-T had appealed against the said Order before the Hon'ble ATE (Appeal No. 149 of 2009). Hon'ble ATE issued judgement on the referred appeal on 23 March, 2012. The details of which are provided in the subsequent para 1.10.

1.8. Commission's Order dated 3 September, 2010 on RInfra-T's Petition on Truing Up of FY 2008-09, APR of FY 2009-10 and Determination of Revenue Requirement for FY 2010-11

1.8.1. RInfra-T submitted its Petition for Truing Up for FY 2008-09, APR for FY 2009-10 and ARR for FY 2010-11 on 23 December, 2009 based on actual audited expenditure for FY 2008-09, actual expenditure for first half of FY 2009-10, i.e., from April 2009 to September 2009, and revised estimated expenses for October 2009 to March 2010, and projections for FY 2010-11.

1.8.2. The Commission issued an Order dated 3 September, 2010 on the above matter in Case No. 100 of 2009, which came into effect from 1 September, 2010.

1.9. RInfra-T's Petition for Truing Up of FY 2009-10 and Provisional Truing Up of FY 2010-11

1.9.1. RInfra-T submitted its Petition for Truing Up for FY 2009-10 and APR for FY 2010-11 on 8 August, 2011 based on actual audited expenditure for FY 2009-10 and provisional expenditure for FY 2010-11.

1.9.2. The Commission issued an Order dated 27 February, 2012 on the above matter in Case No. 115 of 2011, which came into force with immediate effect.

1.10. Hon'ble ATE's Judgement dated 23 March, 2012 on Appeal No. 149 of 2009

1.10.1. The Hon'ble ATE issued a Judgement on 23 March, 2012, on an appeal of RInfra dealing on the issues of incremental R&M expenses on hot line washing and grossing up of income tax.

1.10.2. Hon'ble ATE gave its Judgement which rejected the incremental R&M expenses. The judgement also pronounced that a licensee shall not benefit or lose on account of income tax payable; which is a pass through in the tariff as per Regulations.

1.11. Commission's Order on RInfra's Petition seeking deferment of the implementation of MYT Regulations, 2011

1.11.1. RInfra had submitted its Petition numbered Case No. 45 of 2011, seeking deferment of implementation of MYT framework for period of one year. The reasons cited by RInfra to seek deferment were:

a. Seeking deferred implementation of the MYT Regulations, 2011 due to uncertainty prevailing in RInfra-D's area of supply on account of possibility of the following:-

i. Parallel distribution licensees in RInfra-D's area of supply;

ii. Redefining licence area boundaries post 15 August, 2011;

iii. Uncertainty on the recovery of lost cross-subsidy & Regulatory Assets;

iv. New framework of operation for parallel licensees; and

v. Non-approval of PPAs executed by RInfra-D for the medium term and long term.

b. Operational difficulties due to certain provisions in the MYT Regulations, 2011.

1.11.2. The Commission issued an Order dated 2 September, 2011, in the above matter considering only the grounds that, by the time RInfra-T files its MYT Petition based on the Order on Business Plan, in all probabilities entire FY 2011-12 would get over. Hence, determination of tariff for FY 2011-12 under the MYT Regulations, 2011 may not be possible.

1.11.3. Therefore, the Commission exempted determination of tariff of RInfra under Multi Year Tariff Framework till 31 March, 2012 (i.e., for a period of 1 year) by invoking the proviso to Regulation 4.1 of MYT Regulations, 2011. The Commission is also empowered under Regulation 100 of the MYT Regulations, 2011 to remove any difficulty arising in giving effect to the provisions of MYT Regulations, 2011. Accordingly, the Commission directed RInfra to file the Petition for determination of tariff for FY 2011-12 within 2 months time, i.e., on or before 31 October, 2011. With the above ruling and directions, the Petition was disposed of.

1.12. MERC (Multi Year Tariff) (First Amendment) Regulations, 2011

1.12.1. The Commission amended the MYT Regulations, 2011 by issuing MERC (Multi Year Tariff) (Amendment) Regulations, 2011 on 21 October, 2011. The amendment included provisions for determination of tariff for the deferred period under the previous Regulations, i.e., MERC (Terms and Conditions of Tariff) Regulations, 2005.

1.12.2. Apart from other relevant amendments, the Commission also included "Transitory Provisions". The transitory provisions dealt on the issue of continuance of Tariff Order issued by the Commission for the year ending 31 March, 2011 and other provisions of business plan, Tariff, etc.

1.13. RInfra-T's Petition for approval of ARR for FY 2011-12

1.13.1. RInfra-T submitted the Petition for approval of ARR for FY 2011-12, in accordance with the following provisions:-

a. Section 86, Section 62 (read with Section 61) of Electricity Act, 2003; and

b. Regulation 17 read with Regulation 3 (Part A), Regulation 6 & 8 (Part B), Regulations 12-15 (Part C) and Regulations under Part F of MERC (Terms and Conditions of Tariff) Regulations, 2005.

1.13.2. RInfra-T submitted its Petition to the Commission for approval of Annual Revenue Requirement (ARR) for FY 2011-12 based on the projections. The prayers of RInfra-T in the Petition were as follows:-

a. Approve the ARR for FY 2011-12, as contained in this Petition;

b. Allow additions/ alterations/ modifications/ changes to the Petition at a future date;

c. Allow any other relief, order or direction, which the Hon'ble Commission deems fit to be issued; and

d. *Condone any inadvertent errors/ inconsistencies/ omissions/ rounding off differences, etc. as may be there in the Petition.*

1.13.3. The Commission vide email dated 28 December, 2011 forwarded the data gaps and information required w.r.t the Petition filed by RInfra-T. The Commission scheduled a Technical Validation Session (TVS) on RInfra-T's Petition for approval of ARR FY 2011-12, on 28 December, 2011. The list of individuals, who participated in the TVS, is provided in Appendix-1. The data gaps identified by the Commission were replied to by RInfra-T vide Letter No. MERC/ Transmission/ ARR FY 2011-12 dated 7 January, 2012 and Letter No. MERC/ Transmission/ ARR FY 2011-12 dated 10 January, 2012.

1.13.4. A meeting was held between RInfra-T and the Commission's staff on 17 January, 2012 for resolving the queries. During the meeting, RInfra-T verbally replied to the queries raised by the Commission's staff. RInfra-T also gave written replies to the additional queries raised during the meeting held on 17 January, 2012, vide Letter No. MERC/ Transmission/ ARR FY 2011-12 dated 19 January, 2012.

1.14. Admission of the Petition and Public Process

1.14.1. The Commission admitted the Petition vide letter dated 17 February, 2012, under the provisions of Regulation 51 of the MERC (Conduct of Business) Regulations,

2004. The Commission directed RInfra-T to publish its application in accordance with Section 64 of the EA 2003, in the prescribed abridged form and manner, to ensure adequate public participation. The Commission also directed RInfra-T to reply expeditiously to all the suggestions and objections received from stakeholders on its Petition.

1.14.2. RInfra-T issued a Public Notice in newspapers inviting suggestions and objections from stakeholders on its Petition. The Public Notice was published in English newspapers *The Times of India* and *The Indian Express;* in Marathi newspapers *Loksatta* on 21 February, 2012 and in *Saamna* on 22 February, 2012. The Copies of the Petition and its summary were made available for inspection/ purchase by the members of the public at RInfra-T's offices and website (www.rinfra.com). The Public Notice and executive summary of the Petition were also made available on the website of the Commission (www.mercindia.org.in) in a downloadable format.

1.14.3. The Public Notice specified that the suggestions/ objections, either in English or Marathi, may be filed in the form of affidavit along with proof of service on RInfra-T, latest by 16 March, 2012. The notice also specified that the replies by RInfra-T need to be provided latest by 20 March, 2012. The stakeholders were specified to submit the rejoinders either during the public hearing or latest by 26 March, 2012.

1.14.4. The Commission has received written objections against the Public Notice and the Petition of RInfra-T. The Commission held a Public Hearing on 22 March, 2012 at 11:00 hours at Centrum Hall, First Floor, Centre No. 1, World Trade Centre, Cuffe Parade, Colaba, Mumbai – 400005. The list of objectors, who participated in the Public Hearing, is provided in Appendix 2**.**

1.14.5. The Commission has ensured that the due process contemplated under the law to ensure transparency and public participation was followed meticulously at every stage. Adequate opportunities were given to all the persons concerned to submit their say in the matter.

1.15. Organization of the Order

1.15.1. This Order is organized in the following three sections

a. **Section 1** provides a brief account of the regulatory process undertaken by the Commission. For the sake of convenience, a list of abbreviations with their expanded forms has also been included.

b. **Section 2** provides description of suggestions and objections received on the Petition of RInfra-T.

c. **Section 3** details the approval of Income Tax for FY 2009-10 & FY 2010-11.

d. **Section 4** details the approval of ARR for FY 2011-12, projected revenue from transmission charges and consequent revenue gap/ surplus.

2. OBJECTIONS RECEIVED, RINFRA-T'S RESPONSE AND COMMISSION'S RULING

2.1. Recovery of costs for the previous licence

Suggestion/ Objection

2.1.1. Shri Rakshpal Abrol, Bharatiya Udhami Avam Upabhokta Sangh submitted that, under the erstwhile Indian Electricity Act 1910, a separate licence for transmission was not granted. The transmission license was a part of the distribution license under the provisions of erstwhile Electricity (Supply) Act, 1948. He submitted that investments made by RInfra-T from 22 December, 1992 till 15 August, 2011, have been capitalised and the depreciation on these assets has been recovered from the tariff. He contended that such investments made by RInfra-T, before 15 August, 2011, are not admissible under the EA 2003.

RInfra-T's response

2.1.2. RInfra-T submitted that it has been granted a transmission licence with effect from 16 August, 2011, vide the Commission's Order dated 11 August, 2011, in case no. 70 of 2011 and transmission license no. 1 of 2011. Prior to this period, RInfra was a deemed transmission licensee, as recognized by the Commission in its InSTS Orders and RInfra-T ARR Orders in the past. The business of transmission is ongoing and the costs are recurrent. Issue of licence, is only a process of authorizing the entity to transmit electricity from 16 August, 2011 using the existing and proposed (as specified in the Licence) transmission network. Thus, all existing assets are covered under the Licence and correspondingly all existing costs are covered. Thus, the issues of the objector that the Commission had not issued transmission licence and that the Petition is not authorized to recover costs of period before 15 August, 2011 are not valid.

Commission's Ruling

2.1.3. The Commission views that the RInfra-T was a deemed transmission licensee under the first proviso to Section 14 (Grant of Licence) of EA 2003. RInfra-T had sought an extension of the transmission licence (in Case No. 79 of 2010) w.e.f. 16 August,

2011. The Commission disposed of this Case on 9 May, 2011, holding that application was required to be made to seek grant of licence under Section 14 read with Section 15 of EA 2003 and following the procedure of licence under the MERC (Transmission Licence Conditions) Regulations, 2004.

2.1.4. The Commission, against an application filed by RInfra, issued a Transmission Licence (No. 1 of 2011), by issuing an Order dated 11 August, 2011 in Case No. 70 of 2011. The Commission is of the view that the electricity business is ongoing in nature. The assets under the previous licence are also inherited on as is basis, under the new licence. Therefore, any charges on account of this, subject to prudence check need to be recovered from the consumers through tariff.

2.2. Transmission Charges

Suggestion/ Objection

2.2.1. Shri Rakshpal Abrol, Bharatiya Udhami Avam Upabhokta Sangh submitted that wheeling charges include even the expenses of transmission. Transmission charges correspond to charges incurred in transmission of electricity from generation to the place of consumers. The transmission charges are not applicable to the change over consumers. The amount spent on assets has now been depreciated.

RInfra-T's response

2.2.2. RInfra-T submitted that the objection is incorrect. Wheeling Charges only include the wires related costs of the distribution licensee. Transmission charge is a cost incident on a distribution licensee, which is paid only by the retail supply consumers of the distributor and is not paid by its changeover (wheeling-only) consumers. Changeover consumers, however, bear the transmission charges applicable to their retail supply licensee, i.e. the transmission charge element in the retail tariffs of TPC-D.

Commission's Ruling

2.2.3. The Commission views that the transmission costs corresponding to all the transmission licensees in the State, are passed through in the retail tariffs through the transmission pricing framework specified vide Order dated 27 June, 2006 in Case No. 58 of 2005.

2.2.4. Therefore, the Commission accepts the response of RInfra-T and observes that no transmission costs are passed on to the change-over consumers directly.

2.3. Non-Commissioning of Assets

Suggestion/ Objection

2.3.1. Shri Rakshpal Abrol, Bharatiya Udhami Avam Upabhokta Sangh submitted that, RInfra-T has not installed the high tension cables, transmission towers for transmitting complete 500 MW to the area of supply, as per the terms & conditions laid down in the erstwhile Bombay Suburban Electric License, 1926 till 15 August, 2011.

RInfra-T's response

2.3.2. RInfra-T submitted that the allegations made have no substance. All lines and cables as required for evacuation of 500 MW from DTPS to the Mumbai suburbs has been put in place.

Commission's Ruling

2.3.3. RInfra-T provides the information on scheme wise capitalisation of each of the assets from time to time. The Commission approves the related costs; only when it is satisfied that the assets capitalised are put to use; under the provisions of the Tariff Regulations.

2.3.4. Therefore, the Commission views that the objection doesn't hold any merit.

3. INCOME TAX FOR FY 2009-10 & FY 2010-11

3.1. Income Tax for FY 2009-10

3.1.1. RInfra-T's claim towards income tax reimbursement was kept in abeyance as per Case No. 115 of 2011 dated 27 February, 2012 because the Petitioner had not submitted the basic documents on the basis of which the claim can be assessed by the Commission.

3.1.2. During the processing of the said Petition (Case No. 115 of 2011), RInfra-T had not furnished the following documents sought by the commission:

a. Copy of Income Tax return filed for the financial year 2009-2010.

b. Statement of Computation of Income along with some other relevant information like break up of various additions and deductions claimed in tax computation for G-T-D and other segment.

c. Copies of assessment Orders for earlier years

3.1.3. The extract of the relevant paragraphs of the said Order is reproduced as below:

"3.14.20. From the limited records submitted prima-facie there are carried forward losses in some segments, MAT payments and MAT credit utilization all of which have tax impact which cannot be calculated without details called for. It is relevant to note here that if losses in any regulated segment have been used as tax shield in the other segments there will be in fact tax recovery from the company for that regulated business following converse of the Hon"ble ATE Judgement wherein tax shield of non-regulated business was mandated to be added as tax impact of regulated business.

3.14.21. As can be seen there has been fair amount of follow up on this issue with RInfra. Considering the fact that out of information sought; statement of computation of tax, income tax return filed is really mandatory statutory filings and the segmental break up is obviously the base on which utilities would have staked their claim for reimbursement. The inability of RInfra to produce these evidentiary documents is incomprehensible. Further from the mail dated

February 11, 2012, as quoted above, it is apparent that the RInfra has gone to the extent of advising the Commission on the course of action rather than to take efforts for submission of the information sought. The approach of RInfra clearly appears to be stonewalling the fact finding on tax issue and therefore prima-facie presumption is against RInfra on that count.

3.14.22. However in spite of this apparently defiant attitude, to be just and fair to RInfra-T, considering that it may have some issues in retrieving records, the Commission is of the opinion that RInfra-T should claim income tax after it is able to produce the information sought for, because the present Orders cannot be held back on this account."

3.1.4. In response to the Commission's directives, RInfra-T had submitted additional information by way of letter having reference no. MERC\APR FY 1011dated 11 April, 2012.

3.1.5. The Commission has duly scrutinised the information, documents submitted by the RInfra-T and it was observed that RInfra-T has submitted incomplete/ partial information.

3.1.6. RInfra-T had not submitted the following information:

a. Complete Income Tax return was not submitted by RInfra-T. Only the copy of the acknowledgment for 'electronic return filing' was furnished. In absence of copy of complete Return filed, setting off of losses brought forward from earlier years, MAT credit availability, 80 IA deductions claimed etc. cannot be ascertained.

b. Though the statement of computation of income was submitted, the supporting information like breakup of various additions and deductions claimed in tax computation in G-T-D and other segments was not furnished.

3.1.7. The Commission had duly communicated to RInfra-T, about the non-submission / incomplete submission of information sought earlier, by way of email dated 16 April, 2012. However, till date RInfra-T had not submitted the required information sought for.

3.1.8. Hence, an effort was made to estimate the income tax impact on the basis of information available till date, with the aim to make some progress in the matter to the extent possible. It is observed that if the complete information as sought by the Commission is submitted, the same would result in decreasing the claim as calculated without the said information to the extent of MAT credit that may have been utilised and /or allocation of 80IA benefits. Accordingly the commission has decided to calculate the impact on the basis of information available and then to withhold the amount towards likely reduction in claim which RInfra-T may claim after furnishing the relevant details.

3.1.9. As per para 14 of the Hon'ble ATE Judgment dated 14 February, 2011, in the matter of TPC-T (Case No. 174 of 2009), Hon'ble ATE clarified the issue in very simple and lucid terms which read as under:

"Thus the intent of the Regulations is that the actual income tax paid by the transmission licensee in the business of transmission is included in the ARR and the licensee does not gain or lose on account of income tax which is a pass through in tariff."

3.1.10. This fundamental principle pronounced by the Hon'ble ATE has been the foundation of all the Judgments on the subject of income tax reimbursement.

3.1.11. Honouring this fundamental principle the Commission has studied the issue in consultation with professional consultants and proposes to adopt the actual tax computation statement of RInfra-T supporting returns of income filed as submitted by them as the base for True-up Petitions. The segmental allocation of taxable income and tax thereon is being done on line by line basis based on segmental allocation of income and expenses as certified by the RInfra-T's statutory auditors. The same is annexed as 'Appendix 3: Segmental Allocation'

3.1.12. The method is based in actual tax computation statement and segmental break up will be always the one that is used for approval of tariff / plan. The weighted income tax deductions / accelerated depreciation / income tax exemptions will be allocated to underlying segment to which they pertain as is clearly mandated by regulation. Cross tally of every line item in the computation of income statement is key demonstrative strength of methodology and would preclude the unwarranted disputes on the issue.

3.1.13. However, since RInfra-T had not provided the breakup of various allowances, disallowances, deductions, exemptions etc. for the line items appearing in the computation of income, the commission has made allocation, on the basis of information made available till date. Further, the commission had adjusted the net increase or decrease in the approved expenditure vis-a-vis the actuals, since the True up exercise is completed. The same is annexed as ‘Appendix 4: Tax Computation’.

3.1.14. The Hon’ble ATE in RInfra-T’s Case No. 251/2006 in para 32 of the Judgment held that “*The consumers in the licensee’s area must be kept in a water tight compartment from the risks of other business of the licensee and the Income Tax payable thereon. Under no circumstance, consumers of the licensee should be made to bear the Income Tax accrued in other businesses of the licensee. Income Tax assessment has to be made on stand alone basis for the licensed business so that consumers are fully insulated and protected from the Income Tax payable from other businesses.”* and mandated that tax shield arising out of taxable loss in non regulated business needs to be compensated by the regulated segment having taxable profits.

3.1.15. Accordingly, following converse of the Hon’ble ATE Judgment (Appeal No. 251 of 2006), it was observed from computation statement (Appendix 4) that in the year under consideration the tax allocable to transmission segment is Rs. 4.86 crore. However, 20% of the tax amount is withheld by the Commission towards likely reduction in claim which RInfra-T may claim after furnishing the relevant details. Thus, a claim of Rs.3.89 crores is being sanctioned against the claim of Rs. 7.52 crores under this petition. Release of the withheld amounts would be considered once all requisite documents are submitted by the Petitioner.

3.1.16. Needless to add that unabsorbed MAT credit pertaining to earlier years if any will be carried forward to subsequent year, under MAT mechanism as permissible to be taken by RInfra-T in the subsequent years in which RInfra-T actually takes such credit at total company level under the provisions of the Income Tax Act, 1961.

3.1.17. The summary of income tax approved for FY 2009-2010 by the Commission is provided below:

Table 1: Income Tax for FY 2009-10 (Rs. In crore)

Particulars	ARR Order	As estimated by R-Infra-T	Approved
Income Tax	6.75	7.52	3.89

3.2. Income Tax for FY 2010-11

3.2.1. RInfra-T's claim towards income tax reimbursement was kept in abeyance as per Case No. 115 of 2011 dated 27 February, 2012 because the RInfra-T had not submitted the basic documents on the basis of which the claim could be assessed by the Commission.

3.2.2. RInfra-T had not furnished the following documents sought by the commission on the basis of which income tax reimbursement claim can be determined:

a. Copy of Income Tax return filed for the financial year 2010-11;

b. Statement of Computation of Income alongwith some other relevant information like break up of various additions and deductions claimed in tax computation and MAT working for G-T-D and other segment; and

c. Copies of assessment Orders for earlier years.

3.2.3. The extract of the relevant paragraphs of the said Order is reproduced as below:

"4.14.3. For the purpose of estimating the income tax for FY 2010-11, as discussed in section 3.14, the Commission is of the opinion that it is not an objective of any of the authorities to establish method but the objective is to determine the actual tax impact on the business of petitioner and allow that as expense. The method comes in play only to determine this actual tax impact as means to achieve the said fundamental goal and method itself is not the end goal in itself. From the limited records submitted prima-facie there are carried forward losses in some segments, MAT payments and MAT credit utilization all of which have tax impact which cannot be calculated without details called for.

4.14.4. The objective at the APR stage is to assess the gap between actual and provisional revenue sanctioned at ARR stage based on unaudited/ unadopted results. APR is an interim stage where the petitioners are supposed to submit all the *data available with them on actuals but it is still recognized that the final figures may vary on audit/final adoption. The mechanism does not absolve petitioners from furnishing actual data at APR stage on an unaudited/ unadopted basis. In fact there is clear presumption that only those aspects where the petitioner can demonstrate the variations from ARR stage based on actual data available would form part of APR and all other aspects where actual data is yet to be frozen would be considered at final True up stage which is in fact meant for those aspects. From the limited records submitted prima-facie there are carried forward losses in some segments, MAT payments and MAT credit utilization all of which have tax impact which cannot be calculated without details called for.*

4.14.5. It is clear that the petitioner "s insistence on assuming that the methodology is end goal is misplaced and denial of information based on such self presumption is unwarranted.

3.2.4. In response to the Commission's directives, R-Infra-T had submitted additional information by way of letter having reference no. MERC\APR FY 1011dated 11 April 2012.

3.2.5. The Commission has duly scrutinised the information, documents submitted RInfra-T. It was observed that RInfra-T had submitted incomplete, partial information. RInfra-T had not submitted the following information:

a. Complete income tax return was not submitted by RInfra-T. For the year 2010-2011, it was stated by the RInfra that computation of income and income tax return for FY 10-11 has already been provided to the Commission vide RInfra-T's communications dated 25 October, 2011 and 21 February, 2012 respectively. However, from verification of records it was noted that RInfra-T had submitted only the 'total computation of income'; but the copy of income tax return was never submitted by RInfra-T. This fact of non-submission of the said information was duly mentioned in the Commission's Tariff Order.

b. Though the statement of computation of income was submitted, the supporting information like breakup of various additions and deductions claimed in tax computation in G-T-D business and other segments was not furnished.

3.2.6. The Commission had duly communicated to RInfra-T about the non-submission / incomplete submission of information sought earlier, by way of email dated 16 April, 2012. However, till date RInfra-T had not submitted the required information sought for.

3.2.7. It is observed that the company has discharged income tax liability under MAT mechanism for year under consideration. MAT is chargeable on adjusted book profits. From the computation of tax statement submitted by the RInfra-T, it is apparent that there are adjustments on account of bad debts and contingencies; the segment wise breakup thereof has not been submitted by the RInfra-T as stated above.

3.2.8. Hence, an effort was made to estimate the income tax impact on the basis of information available till date, with the aim to make some progress in the matter to the extent possible. It is observed that if the complete information as sought by the Commission is submitted, the same would result in decreasing the claim as calculated without the said information to the extent of reduction in book profits on account of allocation of bad debts and contingencies. Accordingly, the Commission has decided to calculate the impact on the basis of information available and then to withhold some amount towards likely reduction in claim, which RInfra-T may claim after furnishing the relevant details.

3.2.9. As per the para 14 of the Hon'ble ATE Judgment dated 14 February, 2011, in the matter of TPC-T (Case No. 174 of 2009), the Hon'ble ATE clarified the issue in very simple and lucid terms which read as under:

"Thus the intent of the Regulations is that the actual income tax paid by the transmission licensee in the business of transmission is included in the ARR and the licensee does not gain or lose on account of income tax which is a pass through in tariff."

3.2.10. This fundamental principle pronounced by the Hon'ble ATE has been the foundation of all the judgments on the subject of income tax reimbursement.

3.2.11. Honouring this fundamental principle the Commission has studied the issue in consultation with professional consultants and proposes to adopt the actual tax computation statement of RInfra's supporting returns of income filed as submitted by them as the base for true-up Petitions. The segmental allocation of taxable income and tax thereon is being done on line by line basis based on segmental allocation of income and expenses as certified by RInfra-T's Statutory Auditors. The same is annexed as 'Appendix 5: Segmental Allocation'

3.2.12. The method is based in actual tax computation statement and segmental break up will be always the one that is used for approval of tariff / plan. The weighted income tax deductions / accelerated depreciation / income tax exemptions will be allocated to underlying segment to which they pertain as is clearly mandated by Regulations. Cross tally of every line item in the computation of income statement is key demonstrative strength of methodology and would preclude the unwarranted disputes on the issue.

3.2.13. It was observed from the computation statement that in the year under consideration RInfra-T was liable to pay based on Minimum Alternate Tax (MAT) mechanism under the Income Tax Act, which is higher than the normal tax on taxable income. In view of the Hon'ble ATE's pronouncements as aforesaid, this higher impact is being considered for sanctioning of the claim and this higher tax impact under MAT which has been actually suffered by the RInfra is allocated to various segments as per Appendix 3 hereto. In case of MAT, the same is charged on the book profits. Book Profits are always calculated as income minus expenses as per books and accordingly book income minus book expenses of various regulated business segments have been considered as base as per audited allocation statements submitted by Licensee. This clearly is in conformity with the directives of the Hon'ble ATE, which has directed income minus expenses approach to be used vide its Judgment in Appeal No. 173/2009, as referred to hereinabove. Further since the actual tax suffering in case of MAT happens on the basis of book profits without any consideration to any other figures, the same base of book profits of the relevant regulated segment has to be adopted. Accordingly the allocation of expenses was sought from the licensee, duly audited by their auditors. These audited figures submitted by licensee themselves have been considered for arriving at book profits attributable to concerned regulated segment. As will be apparent from Appendix 6; the MAT tax has been calculated on all the segments in accordance with these audited figures submitted by licensee themselves. The total MAT liability of company is duly reconciled with the total tax liability of all the segments taken together thereby the correctness of tax calculations stands duly demonstrated. In short following the Hon'ble ATE verdicts, the actual tax payment of licensee has been allocated to various segments. Further, in this case, since the tax suffering is on MAT; which is based solely on book profits irrespective of any other considerations, the same base of book profits on which licensee has actually paid the tax has been used to ensure that base remains the same base on which the licensee has actually suffered the tax.

3.2.14. As would be apparent from the Appendix 6; the tax allocable to segment under consideration of this order is Rs. 9.18 crores. As discussed earlier, 20% of the tax amount is withheld by the commission towards likely reduction in claim which RInfra-T may claim after furnishing the relevant details to cover the tax impact that may emanate out of submission of further details. Accordingly a claim of Rs.7.34 crores is being sanctioned against the claim of Rs. 11.60 crores under this petition.

3.2.15. Further the MAT paid is not actual expenditure because credit of such tax paid is available to Licensee in subsequent years. Needless to add that the credit of tax paid under MAT mechanism (whether in current year or earlier) as permissible to be taken by RInfra-T in the subsequent years under the provisions of the Income Tax Act, 1961, will be adjusted on proportionate basis of allowance made by this Order, in subsequent year/s in which RInfra-T actually takes such credit at total company level.

3.2.16. The summary of income tax approved for FY 2010-11 by the Commission is provided below:

Table 2: Income Tax for FY 2010-2011(In Rs. crore)

Particulars	ARR Order	As estimated by R-Infra-T	Approved
Income Tax	4.47	11.60	7.34

4. AGGREGATE REVENUE REQUIREMENT FOR FY 2011-12

4.1. Background

4.1.1. RInfra-T has sought an approval of ARR for FY 2011-12 based on the projections made for each of the ARR elements. The assumptions for projection of the ARR elements were provided in the Petition. Revenue from transmission charges was estimated on the basis of the approved transmission tariff for InSTS for FY 2010-11, in the Order dated 10 September, 2010 in Case No. 120 of 2009. RInfra-T also prayed to include the incentive on higher transmission system availability for FY 2009-10 & FY 2010-11, based on the MSLDC certification submitted in the previous tariff proceedings numbered Case No. 115 of 2011, which was under consideration of the Commission when the current Petition was filed. However, RInfra-T prayed to approve the incentive for higher system availability for FY 2011-12, in the Truing Up exercise.

4.1.2. While scrutinising the projections for FY 2011-12, the Commission observed that the financial year was almost on the verge of completion. Therefore, the Commission decided that it would be useful to compare the actual expenses to the best possible extent while approving the ARR for FY 2011-12. Accordingly, the Commission sought information on the latest available actual expenses from RInfra-T. The Commission has approved the expenses by considering such submission and various other assumptions.

4.1.3. The detailed approval by the Commission pertaining to FY 2011-12 is provided in the following sections.

4.2. O&M expenses for FY 2011-12

4.2.1. Operation and Maintenance (O&M) expenses comprises Employee expenses, Administrative & General (A&G) expenses and Repair & Maintenance (R&M) expenses.

4.2.2. In the Petition, RInfra-T submitted that in order to forecast the O&M expenses for FY 2011-12, base expenses were considered according to its submission in the Petition in Case No. 115 of 2011. These base expenses were escalated with inflation indices; to arrive at the projected expenses for FY 2011-12. The inflation indices (CPI and WPI) for the previous five years, FY 2006-07 to FY 2010-11, were considered by RInfra-T. It was submitted that the data for CPI has been taken from the website of the Labour Bureau, Government of India and the data for WPI has been taken from the Office of Economic Advisor, Government of India. RInfra-T computed the average CPI as 9.53% and average WPI as 6.57% for previous five years from FY 2006-07 to FY 2010-11.

4.2.3. RInfra-T has considered an average CPI of 9.53% for projecting employee expenses and average WPI of 6.57% for projecting R&M expenses. For estimation of A&G expenses, RInfra-T has considered 40% weight to average CPI and 60% weight to average WPI, which resulted in an escalation factor of 7.75%.

4.2.4. RInfra-T's submission on each of these expenses heads, and the Commission's ruling on the approval of the O&M expenses heads are detailed in the following sections.

4.3. Employee expenses for FY 2011-12

4.3.1. RInfra-T submitted that it has projected the employee expenses by escalating the employee expenses estimated for FY 2010-11 in its Petition in Case No. 115 of 2011. An escalation index equivalent to the average CPI of 9.53% for previous five years from FY 2006-07 to FY 2010-11 was adopted to arrive at an employee expense of Rs. 12.82 crore. RInfra-T also gave a break-up of these projected expenses in the form F 2.1 of data formats.

4.3.2. Since the financial year was on the verge of completion, the Commission thought it prudent to analyse the actual expenditure incurred so far for the FY 2011-12. Therefore, on a corresponding query raised by the Commission, RInfra-T submitted a break-up of unaudited employee expenses incurred in FY 2011-12. The Commission took note of the actual unaudited employee expenses of Rs 13.06 crore, submitted by RInfra-T. It was also submitted that, actual expenses may be treated as provisional, as Annual Accounts for FY 2011-12 are yet to be audited. Hence, the Commission would take a view on the actual audited expenses during the True up process.

4.3.3. While approving employee expense for FY 2011-12, the Commission has followed the same methodology, which has already been adopted in the previous Orders. Accordingly, the Commission analysed the CPI provided by Labour Bureau, GoI and arrived at an escalation rate of 7.57%, by considering point to point CPI numbers over industrial workers for the period of February 2011 to February 2012.

4.3.4. The Commission has considered the above inflation rate of 7.57% over the employee expenses approved for FY 2010-11, as per the provisional True up Order dated 27 February, 2012 in Case No. 115 of 2011. The Commission has considered the capitalisation of employee expenses for FY 2011-12, as claimed by RInfra-T in the Petition.

4.3.5. The employee expenses thus approved for FY 2011-12 are summarised in the table below:-

Table 3: Employee expenses for FY 2011-12 (In Rs crore)

S.No.	Particulars	RInfra-T Petition	Approved
1	**Gross Employee expenses**	16.82	15.60
2	Less: Expenses capitalised	4.00	4.00
3	**Net Employee expenses**	**12.82**	**11.60**

4.4. A&G expenses for FY 2011-12

4.4.1. RInfra-T submitted that the A&G expenses, except for certain heads, have been projected by considering an inflation factor arrived at by considering 40% weight to average CPI and 60% weight to average WPI, computed over the previous five years from FY 2006-07 to FY 2010-11. RInfra-T arrived at an inflation factor of 7.75% by the above method to project the A&G expense for FY 2011-12. Thereafter, A&G expenses were estimated by escalating the A&G expenses for FY 2010-11 as estimated in its Petition in Case No. 115 of 2011.

4.4.2. RInfra-T also submitted that within A&G expenses, there are certain heads which are not simply escalated, but realistic assumptions have been made to arrive at projections for FY 2011-12. The particulars, as submitted in the Petition are shown below:-

a. **Rent, Rates & Taxes:** Addition of new EHV sub-stations at Goregaon, Gorai and Saki would result in property tax to be incurred for these stations.

b. **Insurance:** Increase in insurance charges due to the insurance of the assets capitalized during FY 2010-11.

c. **Security:** Increase in security charges due to arrangements for security at the new stations.

d. **Advertisement and License fees:** RInfra-T had made a license application u/s 15 of the EA, 2003. Fees have been incurred towards advertisement for license application and towards license & application fees.

4.4.3. RInfra-T further submitted that there are certain activities that are being carried out or required to be carried out in FY 2011-12 for which the proposed expenditure have not been considered in the present Petition. The brief description of these expenditures were provided in the Petition which is shown below:-

a. **Newly commissioned stations:** The impact of the newly commissioned EHV sub-stations along with their connectivity in FY 2010-11 on R&M expenditure has not been considered. RInfra-T has requested the Commission to consider the same, as and when the actual figures would be available, during the Truing Up for FY 2011-12.

b. **Notice from PWD for lease rentals for RoW usage:** RInfra-T submitted that it has received intimation from the PWD department asking for lease rentals for usage of RoW required for laying EHV cables along the Western Express Highway. The lease rentals sought are more than Rs 1.50 crore on annual basis. The effect of the same has not been considered by RInfra-T in the present Petition. RInfra-T requested the Commission to consider the same during the Truing Up for FY 2011-12 and also for subsequent years if it becomes mandatory for the utilities to pay such charges to PWD and other such relevant authorities.

4.4.4. In reply to the queries raised by the Commission, RInfra-T submitted documentary proof, i.e., the Challan for property tax paid for Saki receiving station, insurance premium paid for all the assets insured including the new EHV sub-stations at Goregaon, Gorai and Saki, LILO of MSETCL Boisar-Borivali line at Ghodbunder and bays installed at MSETCL Borivali EHV Station associated with Gorai, Nagari Nivara and Borivali. RInfra-T also submitted documentary proof of security related expenses incurred for the new EHV substations at Goregaon, Gorai and Saki along with letter from security guards board concerning revision of wages of security personnel. RInfra-T also submitted a bill depicting the charges incurred towards advertisement of public notices in various daily newspapers.

4.4.5. Since the financial year was on the verge of completion, the Commission thought it prudent to analyse the actual expenditure incurred so far for the FY 2011-12. Therefore, on a corresponding query raised by the Commission, RInfra-T submitted a break-up of unaudited employee expenses incurred in FY 2011-12. The Commission took note of the actual unaudited A&G expenses of Rs 5.62 crore, submitted by RInfra-T. It was also submitted that actual expenses may be treated as provisional, as Annual Accounts for FY 2011-12 are yet to be audited. Therefore, the Commission would scrutinise the actual audited expenses during the True up process.

4.4.6. Further the Commission has considered an escalation rate of 7.16 % over the A&G expenses as approved for FY 2010-11, under the provisional Truing Up exercise, in the Order in Case No. 115 of 2011. For FY 2011-12, the Commission has considered point to point inflation over WPI numbers (as per data released by Office of Economic Advisor, Govt. of India) for a period from March 2011 to March 2012 and CPI numbers for industrial workers (as per Labour Bureau, Government of India) for a period from February 2011 to February 2012. The Commission has considered weights of 40% for CPI and 60% for WPI in order to arrive at the inflation rate. The Commission has considered a rise of 7.57% in CPI and a rise of 6.89% in WPI for computation of the escalation factor of 7.16%.

4.4.7. While approving A&G expense for FY 2011-12, the Commission has followed the same methodology, which has already been adopted in the previous Orders. Accordingly, the Commission approves an inflation rate of 7.16% over the A&G expenses approved for FY 2010-11, as per the provisional True up Order dated 27 February 2012 in Case No. 115 of 2011. The A&G expenses thus approved for FY

2011-12 are summarised in the table below:-

Table 4: A&G expenses for FY 2011-12 (In Rs crore)

S.No.	Particulars	RInfra-T Petition	Approved
1	**Net A&G expenses**	**5.40**	**5.27**

4.5. R&M expenses for FY 2011-12

4.5.1. RInfra-T submitted that it projected the R&M expenses by escalating the R&M expenses for FY 2010-11, as estimated in its Petition in Case No. 115 of 2011. An escalation index of 6.57% was considered, equivalent to the average increase in WPI of 6.57% over previous five years from FY 2006-07 to FY 2010-11, for projecting the R&M expense of Rs. 4.03 crore. RInfra-T also submitted a break-up of these projected expenses in the form F 2.3 of the data formats.

4.5.2. In reply to a query raised by the Commission, RInfra-T submitted a break-up of actual unaudited R&M expenses incurred in FY 2011-12. The Commission took note of the actual unaudited R&M expenses of Rs 4.38 crore submitted by RInfra-T. It was also submitted that actual expenses may be treated as provisional, as Annual Accounts for FY 2011-12 are yet to be audited. The Commission would take a view on the actual audited expenses during the True up process.

4.5.3. While approving the R&M expenses for FY 2011-12, the Commission has followed the same methodology, which has already been adopted in the previous Orders. Accordingly, the Commission analysed the WPI provided by Office of Economic Advisor, GoI and arrived at an escalation rate of 6.89% by considering increase in point to point WPI numbers.

4.5.4. The Commission has considered the above inflation rate of 6.89% over the R&M expenses approved for FY 2010-11, as per the provisional True up Order dated 27 February 2012 in Case No. 115 of 2011. Accordingly, the approved R&M expenses for FY 2011-12 are summarised in the following table:-

Table 5: R&M expenses for FY 2011-12 (In Rs crore)

S.No.	Particulars	RInfra-T Petition	Approved
1	**Net R&M expenses**	**4.03**	**3.82**

4.6. Summary of Operation and Maintenance (O&M) expenses for FY 2011-12

4.6.1. Apart from the above observations and approvals, the Commission had also enquired about the methodology adopted for allocation of corporate expenses, i.e., HO expenses or any other shared support service centre costs. RInfra-T in reply submitted that, the allocation of HO & SS centre costs amongst the businesses of RInfra is undertaken only at the time when the annual books of accounts are finalised. RInfra-T submitted that, for FY 2011-12, the finalisation of Annual Accounts is not completed and in as much as the present Petition, the same pertains to projection of ARR for FY 2011-12. RInfra-T submitted that allocation statement can only be made available when the Annual Accounts are audited and submitted for Truing Up.

4.6.2. After considering the above submission the Commission summarises the approved O&M expenses for FY 2011-12 as below:-

Table 6: Operation & Maintenance expenses for FY 2011-12 (In Rs crore)

S.No.	Particulars	RInfra-T Petition	Approved
1	Net employee expenses	12.82	11.60
2	Net A&G expenses	5.40	5.27
3	Net R&M expenses	4.03	3.82
4	**Total O&M expenses**	**22.25**	**20.69**

4.7. Capital expenditure and Capitalization for FY 2011-12

4.7.1. RInfra-T has estimated that it would incur Rs 421.46 crore towards capital expenditure and capital assets related expenses in FY 2011-12. It also estimated that total of Rs 309.70 crore would be capitalised in FY 2011-12. It was submitted that the total capitalisation is against schemes approved in-principle by the Commission, together with miscellaneous schemes not requiring prior approval of the Commission. In its Petition, RInfra-T provided brief of the schemes and their status.

4.7.2. RInfra-T, vide Letter No. MERC/ Transmission/ ARR FY 2011-12 dated 19 January 2012, submitted the information on actual capitalisation achieved till 31 March 2011 and actual capitalisation achieved till 31 December, 2011, i.e., for 9 months in FY 2011-12. The details submitted are shown below for reference:-

Table 7: Information on Capital Expenditure provided by RInfra-T (In Rs crore)

Scheme No.	Scheme Details	Cumulative Till 31 March, 2011		Actual for FY 2011-12 till 31 December, 2011 (9 months of FY 2011-12)	
		Capital Expenditure	Capitalisation	Capital Expenditure	Capitalisation
DPR					
REL-T/FY07/03	Installation of 220kV GIS EHV Station at Chembur	110.43		39.58	
REL-T/FY08/04	220kV GIS at Saki EHV Station	113.68	101.62	20.83	1.57
REL-T/FY08/06	220kV GIS Borivali	40.53		43.38	
REL-T/FY08/08	220 kV Nagari Niwara	9.80	4.75	0.10	
REL-T/FY08/12	220kV GIS Gorai EHV Station	68.86	39.16	89.03	13.05

Scheme No.	Scheme Details	Cumulative Till 31 March, 2011		Actual for FY 2011-12 till 31 December, 2011 (9 months of FY 2011-12)	
		Capital Expenditure	Capitalisation	Capital Expenditure	Capitalisation
REL-T/FY08/11	220kV GIS Goregaon EHV Station	67.56	64.05	12.90	5.46
REL-T/FY09/01	220 kV Dahisar Housing EHV Station	0.95			
REL-T/FY09/04	Refurbishment of 220kV Transmission Line	14.31	7.39	1.40	3.59
REL-T/FY10/03	Security Improvements at 220kV Aarey, Versova and Ghodbunder EHV Stations	1.18		0.31	
REL-T/FY09/03	LILO MSETCL Boisar-Borivali 220 kV line	22.85		40.04	
REL-T/FY10/02	T&P Procurement	3.50		3.50	
	Total	**450.14**	**216.98**	**251.07**	**27.16**
Non-DPR					
	Non-DPR	**37.62**	**29.69**	**6.87**	**7.44**
Total: DPR + Non-DPR		**487.77**	**246.66**	**257.94**	**34.60**

4.7.3. RInfra-T submitted that there are planned activities associated with the projects; for which the capital expenditure and capitalisation are scheduled in the last quarter of FY 2011-12. Thus, the actual for the period of 9 months; from April to December

2011; cannot be taken as an illustration for determining the capital expenditure and capitalisation for the full FY 2011-12.

4.7.4. Considering that the FY 2011-12 was on the verge of completion, the Commission thought it necessary to obtain the updated information on the capitalisation of each of the capital expenditure schemes. The Commission sought this information from RInfra on 29 March, 2012. The details of the queries are provided below:-

a. Present status of capital expenditure schemes considered for capitalisation in ARR of FY 2011-12;

b. Information on assets put to use and details of the benefits passed on to the consumers;

c. Details of individual components and quantification of capitalisation for partially capitalised schemes; and

d. Reasons for time overrun & cost overrun, if any.

4.7.5. RInfra-T submitted the above details, vide Letter No. MERC/Transmission/ARR FY 2011-12 dated 11 April, 2012, which was considered by the Commission for approval of the capitalisation for FY 2011-12. In the submission, RInfra-T provided actual provisional capitalisation for each of the schemes till 31 March, 2012. The detailed approval by the Commission for capitalisation for FY 2011-12 are provided in the table below:-

Table 8: Capitalisation for FY 2011-12 (In Rs crore)

Sr.No.	Name of the Scheme	Scheme Code	Capitalisation (Rs crore)		Cost Benefits	Status	Details of individual components
			RInfra-T Petition	Provisional Actuals Till 31 March, 2012			
1	220 kV GIS Station Chembur	REL-T/FY07/03	16.20	20.00	After commissioning of this project, 33 kV outlets will be available for Eastern Suburbs area with optimal distance to load centres. There would be increase in reliability of supply and reduction of losses.	Various Statutory Clearances are received. Civil works at Trombay end completed and are in full swing at Chembur. Major equipment Orders have been placed and received. GIS installation work is in progress at Chembur. Further, the cable route is through a very dense traffic prone Mahul road (Refinery Area) which is primarily utilized for travel of containers involving crude oil. The cable route is in proximity to gas and oil pipelines of HPCL and IOC etc. NOC (No Objection Certificate) for excavation along these utilities for laying 220 kV cables is being pursued.	• 220 kV GIS - 5 Nos. at MSETCL Trombay • Associated 220 kV cable System • Control & relay panel System at MSETCL Trombay
2	220 kV GIS Saki EHV Station	REL-T/FY08/04	61.08	38.00	The scheme is envisaged to serve the load in the area at Saki Naka and nearby areas. The sub-station was also to help in reducing the 33kV feeder lengths by serving the load at Saki directly instead of longer length feeders used in serving the load from the Aarey EHV sub-station.	Station charged and partly capitalized in FY 2010-11. Balance works in progress and to be capitalized in FY 2011-12.	Work associated with substation carried out in FY11-12 and balance works would be carried out in ensuing year

Sr.No.	Name of the Scheme	Scheme Code	Capitalisation (Rs crore)		Cost Benefits	Status	Details of individual components
			RInfra-T Petition	Provisional Actuals Till 31 March, 2012			
3	220 kV GIS Borivali	REL-T/FY08/06	63.96	64.20	The scheme would relieve the EHV sub-stations at Ghodbunder and Versova and bring back the most desirous N-1 redundancy in transformation capacity as required in a transmission network.	All the statutory permissions including most critical forest approval obtained. GIS building work being done in tandem with MCGM norms of progressive CC. Balance civil works in full swing at the site. All major equipment Orders placed with critical equipments such as 125 MVA transformers received at site. Erection work in progress. 220 kV bays installed at MSETCL Borivali. Scheme targeted to be commissioned in Q4 of FY 2011-12.	• 220 kV GIS R-Borivali - 10 Nos. • 220 kV GIS bays at MSETCL Borivali - 3 Nos. • 125 MVA Transformer -2 Nos. • 33 kV panel boards -2 Nos. • 220 kV cable and associated system
4	220 kV GIS Gorai EHV Station	REL-T/FY08/12	18.80	24.50	Scheme envisaged for facilitating more outlets with short distance to load centre, reduction in line losses and provision for additional infrastructure to cater to new load.	Project phasing planned in two stages: • Sub-station charging through LILO of 220 kV Versova –Ghodbunder line: Station charged and partly capitalized in FY 2010-11. • 220 kV cable laying from MSETCL Borivali to Gorai: Forest approval received for cable laying through Sanjay Gandhi National Park. 220kV cable delivery received. • 220 kV bays installed at MSETCL Borivali. Scheme completion targeted in Q4 of FY 2011-12.	Work associated with substation carried out in FY11-12 and balance works relating to Phase II would be carried out in FY 12-13

Sr.No.	Name of the Scheme	Scheme Code	Capitalisation (Rs crore) RInfra-T Petition	Capitalisation (Rs crore) Provisional Actuals Till 31 March, 2012	Cost Benefits	Status	Details of individual components
5	220 kV GIS Goregaon EHV Station	REL-T/FY08/11	43.54	21.00	33kV outlets made available for the Western suburbs area with optimal distance to the load centres and increased reliability of the InSTS.	Station charged and partly capitalized in FY 2010-11. Balance works in progress and to be capitalized in FY 2011-12.	Work associated with substation carried out in FY11-12 and balance works would be carried out in FY 12-13
6	Refurbishment of 220 kV transmission Line	REL-T/FY09/04	5.39	9.80	Maintaining availability and reliability of the transmission network	Strengthening of tower foundations is completed. 50% of porcelain insulators have been replaced by polymer insulators. Balance work shall be completed in FY 2011-12.	• 4703 No of porcelain insulators replaced by Polymer insulators associated hardware • 220 kV Tower foundations Refurbishment & carbin wrapping & micro concreting works
7	Security improvement – Civil works	REL-T/FY10/03	4.71	2.00	The security at the 3 EHV sub-stations at Aarey, Ghodbunder and Versova would be enhanced after implementation of the DPR.	Various related activities such as CCTV cameras, raising of compound wall height, installation of motorized gate, etc, are in progress and shall be put to use in due course.	Motorise gate installation , civil work for Compound wall associated with EHV station
8	LILO at Ghodbunder existing MSETCL Boisar-Borivali	REL-T/FY09/03	86.04	78.68	The proposal will enhance flexibility of load transfer as well as enhance reliability of Mumbai network.	Major portion of 220 kV cable laying between MSETCL Tower No. 257 to 220kV RInfra- Ghodbunder completed. 220kv Installation of GIS bays is in progress. The specialy designed MSETCL tower erection with LILO arrangement is completed. Connection Agreement has been signed between MSETCL and RInfra-T. Project is targeted to be commissioned in December 2011.	• 220 kV GIS bays at Ghodbunder - 7 nos. & associated system • 220 KV cable & cable laying - 4.1 KM

Sr.No.	Name of the Scheme	Scheme Code	Capitalisation (Rs crore)		Cost Benefits	Status	Details of individual components
			RInfra-T Petition	Provisional Actuals Till 31 March, 2012			
9	T&P	REL-T/FY10/02	5.00	4.30	The scheme would help in the expedition of the projects under execution.	The Orders for the equipment have been placed and delivery to be expedited in FY 2011-12.	• 220 kV Cable Pulling Winch Machine - 1No • 220 kV GIS Testing Kit - 1 No • 220 kV cable laying tools, (Cable drum trailer, Lifting Jack arrangement, Cable pusher, Bridge roller, Cable rope guiding chain, Cable pulling grip) - 1 set
10	Nagri Niwara	REL-T/FY08/08	-	5.50			Bays at MSETCL for connectivity with NN EHV station
11	Non DPR		4.98	11.00			
	TOTAL		**309.70**	**278.98**			

4.7.6. The Commission observed that for following schemes: 220kV GIS station Chembur and Nagari Niwara the assets are not yet put to use and benefits as envisaged are not yet realised by the consumers. Hence the Commission has not considered the capitalisation for these schemes as claimed by RInfra-T.

4.7.7. For Non-DPR schemes the Commission has considered capitalisation of Rs. 4.98 crore as claimed by RInfra-T.

4.7.8. Based on the above analysis of the reply, the Commission has considered the provisional actual capitalisation of Rs 247.46 crore for computation of ARR for FY 2011-12.

Table 9: Approved Capitalisation for FY 2011-12 (In Rs crore)

S.No.	Particulars	RInfra Estimate	Approved
1	Capitalisation	309.70	247.46

4.8. Depreciation for FY 2011-12

4.8.1. RInfra-T claimed depreciation based on the Opening GFA and assets added during the year. It was submitted that for computation of depreciation, the assets have been assumed to be added during the middle of the year, i.e., half year's depreciation has been charged on the asset added during FY 2011-12. RInfra-T also confirmed that depreciation has not been claimed beyond 90% of the asset value and the details of the computation were provided in the Form 3 of the data formats. RInfra-T submitted that the depreciation for FY 2011-12 has been calculated as per the rates specified in the MERC (Terms and Conditions of Tariff) Regulations, 2005.

4.8.2. RInfra-T submitted that it has already drawn loan to the tune of Rs 150 crore from South Indian Bank to fund the capital expenditure planned in FY 2011-12. It is also pursuing debt funding for its further capital expenditure planned in FY 2011-12 and subsequent years. RInfra-T submitted that MYT Regulations, 2011 do not provide for Advance Against Depreciation (AAD) and requested the Commission to note that debt sanctioned during FY 2011-12 shall be covered under the MERC (Terms and Conditions of Tariff) Regulations, 2005.Therefore, it was contended that, if the actual repayable loans is more than depreciation of assets funded from these loans, RInfra-T shall be entitled to claim AAD. However, no such claim has been projected in the present Petition as the funds drawn from the South Indian Bank carry a moratorium period of two years for principal repayment.

4.8.3. The Commission after analysing the above submissions, considered asset addition of Rs 247.46 crore, equivalent to the approved capitalisation for FY 2011-12 provided in Table 9 above. Depreciation is approved on the opening GFA as well on assets added during the year, based on a depreciation rate of 2.83% arrived at, by dividing depreciation by average of opening and closing balance of GFA as submitted by RInfra-T in the Petition. The depreciation rate was applied on the average of opening balance and closing balance of GFA for FY 2011-12 to arrive at the approved depreciation. The Commission also views that issue of AAD has not arisen at the present context and therefore, not applicable to the present exercise.

4.8.4. The depreciation approved as per the above methodology is provided in the table below:

Table 10: Depreciation expenses including AAD for FY 2011-12 (In Rs crore)

S.No.	Particulars	RInfra-T Estimate	Approved
1	Opening GFA	667.77	666.77
2	Closing GFA	977.46	914.23
3	Depreciation	23.30	22.39
4	Depreciation as a % of Average of Opening GFA & Closing GFA	2.83%	2.83%

4.9. Interest expenses on long term loan for FY 2011-12

4.9.1. RInfra-T submitted that capital expenditure for all these years has been through internal accruals and the Commission had been approving debt expenses on normative basis. Due to the requirement of augmenting the Mumbai transmission network, RInfra-T has commenced execution of a number of major projects in the recent years with an approved cost of Rs 2230 crore (in-principle approved by the Commission), commencing from FY 2010-11 and spreading over subsequent years. RInfra-T submitted that it is looking beyond its conventional practice of funding all capital expenditure through its own equity pool. RInfra-T submitted that it has already availed actual long term loan of Rs 150 crore in FY 2011-12 till date for funding its capital expenditure. It is actively looking to tie-up borrowings from financing institutions for funding planned capital expenditure in future years as well.

4.9.2. In view of the above, RInfra-T has proposed the following treatment to the debt for FY 2011-12:-

a. Outstanding loans as on FY 2011-12:- The outstanding loans as at the beginning of FY 2011-12 are considered to have the repayment schedule; as approved by the Commission in its various earlier Tariff Orders. In the previous Tariff Orders, the Commission has approved loans prior to FY 2006- 07 with a repayment schedule of 10 years and loans from FY 2006-07 till FY 2010-11 with a repayment schedule of 20 years.

b. Loans in FY 2011-12:- For the purpose of this Petition, total loan to the extent of 70% of the capitalization in FY 2011-12 has been considered. This is bifurcated into two parts, i.e. Rs. 150 crore actual loan (availed from South Indian Bank) and the balance treated as normative loan. The debt availed from South Indian Bank was for a period of 5 years with a two-year moratorium period. The balance debt corresponding to the capitalization approved for FY 2011-12, has been treated as normative loan with repayment period of 13 years.

4.9.3. The Commission scrutinised the term sheet for the debt drawl from the South Indian Bank and found that the purpose of the credit facility is to part finance ongoing capital expenditure. Therefore, the Commission asked for clarification in regard to schemes/ projects for which the above mentioned credit funds have been put to use along with the quantum of funding for each of the projects.

4.9.4. In reply to the above query of the Commission, RInfra-T submitted that in addition to the loan of Rs 150 crore proposed in the present Petition, it has availed another loan of Rs 50 crore from the South Indian Bank with an interest rate of 12.75%. The tenure of the loan is 5 years having a two year moratorium period. RInfra-T had also submitted that the term sheet for the loan specified an interest rate of 11.85%. However, the interest rate was revised to 12.75% w.e.f. 1 August 2011, for which documentary proofs were provided. It was submitted that additional actual loan drawn during FY 2011-12, extent of its utilisation across various capital investments schemes, interest expenses incurred and interest chargeable to capital and revenue accounts based on phase wise scheme completion, etc. are details which would only be known conclusively once the accounts for FY 2011-12 are finalised and audited.

4.9.5. RInfra-T considered a normative Debt: Equity ratio of 70:30 in accordance with MERC (Terms and Conditions of Tariff) Regulations, 2005. RInfra-T submitted that the loan of Rs 200 crore has been utilised for capital investment in schemes forming part of the Mumbai transmission strengthening project, which includes all the DPR schemes indicated in the Business Plan of RInfra-T for FY 2011-12 to FY 2015-16. The assignment of debt funding to individual schemes could be based on the payments being made to vendors/suppliers, the process for which is being undertaken presently as part of the finalisation of Annual Accounts for FY 2011-12.

4.9.6. RInfra-T submitted that except for actual debt, which has already been tied up, all other debt is assumed at an interest rate of 11.50%, including debt outstanding as on 1 April, 2011. It was submitted that for the debt already tied up, the actual interest rate of 12.75% levied by the South Indian Bank is considered.

4.9.7. RInfra-T also submitted the rationale for considering 11.50% as the rate of interest on the remaining normative debt. It submitted that the rate allowed by the Commission on such debt, even if it is only normative, ought to reflect the current market rates of interest charged by funding institutions to fund infrastructure and utility projects. RInfra-T submitted that even if the interest rate permitted is normative, it should be allowed to change with the changes in market rate of interest, i.e., it should be floating and not fixed; as has been the practice so far.

4.9.8. Further to propose the market rate of interest, RInfra-T has analysed the Base Rate of major Nationalised Banks as per their last available notifications. Over and above such rate, RInfra-T also estimated the likely spread chargeable by funding institutions while sanctioning debt to infrastructure companies like RInfra. RInfra-T submitted 11.50% as the likely interest rate, reflective of present market conditions.

4.9.9. RInfra-T also submitted that financing institutions, like PFC and REC, revise interest rates for funding capital expenditure schemes of utilities on floating rate basis and the rates are normally revised every quarter. Since these agencies set the benchmark for other funding institutions, it is likely that the cost of funds available from other institutions would be similar to that of PFC and REC. RInfra-T submitted that the normative interest allowed for funding the capex in the past has been much less than the rates prevalent in the external market. Other business segments within RInfra and group companies of the Reliance Group as a whole have been borrowing funds from external market for funding infrastructure projects such as Metro rail, roads, airport terminals, etc. at much higher costs, than what has been permitted by the Commission as normative interest rate, for funding capital investment in electricity segment. RInfra-T is of the view that whether or not actual debt is raised by RInfra-T, the rate of interest allowed by the Commission on the debt component of capital expenditure ought to reflect the prevailing market rate of interest and should be allowed to change with changes in market rates i.e. on floating basis.

4.9.10. Based on the analysis of the interest rate as above, the interest rate on all debt funding during FY 2011-12 was considered at 11.50% by RInfra-T, except for the actual debt, which is already tied up. For the actually drawn debt during FY 2011-12, the interest rate is considered at 12.75%, actually charged by the South Indian Bank.

4.9.11. It is pertinent to refer the Commission's ruling in the matter of interest rates approved for normative debts of RInfra-T vide the Order dated 3rd September, 2010 in Case 100 of 2010.

*"The Commission has considered the interest expense on the normative debt corresponding to capitalised assets only and has considered the interest rate of 10% p.a. for the assets put to use during FY 2004-05 and FY 2005-06, and interest rate of 8% p.a. for assets put to use during FY 2006-07 and FY 2007-08, and interest rate of 9% p.a. for assets put to use in FY2008-09, FY 2009-10 and FY 2010-11**, in line with the principle adopted in the Tariff Order dated October 3, 2006, MYT Order and other previous APR Orders.**"**{emphasis added}***

4.9.12. The Commission has already approved interest rates for normative debt corresponding to the capitalisation approved in respective years, before FY 2011-12. As per the Commission's view, present Petition cannot seek review of the decision on fixed interest rates already taken in the earlier Orders, which have remained unchallenged and hence have attained finality. Therefore the principle of maintaining fixed interest rates for the normative debts of RInfra-T has already laid down by the Commission in its previous Order. In line with the same principle, the Commission approves fixed interest rate for normative debt corresponding to the capitalisation which belongs to FY 2011-12

4.9.13. The Commission has analysed the interest rates to be adopted for the normative loans drawn during FY 2011-12, corresponding to the 70% debt equivalent of the capitalisation approved for FY 2011-12. The Commission has noted the submissions of RInfra-T for arriving at an interest rate of 11.50% for the normative loan to be considered for FY 2011-12. The effective rate of interest has been arrived by considering the average base rates of few nationalised banks, i.e., State Bank of India, Punjab National Bank, Bank of India & Bank of Baroda with addition of spread of 2.23% over and above the base rate. The Commission is of the view that the interest rate of 11.50% arrived from the above method is reasonable., Accordingly, the Commission approves the normative loan considered for FY 2011-12 at an interest rate of 11.50%. However, this rate of interest is approved as a fixed rate of interest in line with the principle adopted for previous years and cited in the para 4.9.11 above.

4.9.14. The Commission also enquired the basis for considering a repayment period of 13 years for the normative loan. In reply, RInfra-T referred to the Regulation 33.3 of the MERC (Multi Year Tariff) Regulations, 2011:-

"33.3 The repayment for the year of the tariff period FY 2011-12 to FY 2015-16 shall be deemed to be equal to the depreciation allowed for that year."

4.9.15. RInfra-T submitted that even though the MYT Regulations, 2011 are not applicable for FY 2011-12, the normative loans taken during FY 2011-12 would continue during MYT period. The rate of depreciation provided for most of the assets in the MYT Regulations, 2011 is 5.28%. For an asset to be depreciated up to 70% (Regulation 31.2 [b] of MYT Regulations, 2011), would require approximately 13 years. Thus, the same has been considered for repayment of the normative loans. It was also submitted that even otherwise, the loans sanctioned by funding agencies for infrastructure and utility specific projects are generally of 10 to 15 years tenure. RInfra-T further added that the Commission has been assuming 20 years repayment for normative debt, which is unrealistic considering actual repayment period of term loans. Also loan having shorter repayment period has a lower interest liability passed on in the ARR as compared to longer repayment period, which is beneficial for the consumer. Considering all the above and the fact that RInfra-T has already borrowed capital and is on the lookout for borrowing more in order to fund its capital expenditure, RInfra-T has requested for 13 years repayment period, being more realistic of market terms. However, actual borrowing, if any, during FY 2011-12 and beyond will have its own repayment period as per the term of loan agreement. The Commission approves the repayment period of 13 years based on the reasons provided by RInfra-T.

4.9.16. Computation of interest expenses and normative repayments was provided in Form 4, Form 4.1 and Form 4.2 of the data formats submitted by RInfra-T. The Commission, for arriving at the opening balance for FY 2011-12, considered the approved closing balance of the loans for FY 2010-11 as per the previous Order dated 27 February, 2012 in Case No. 115 of 2011. Further, based on the approved capitalisation of Rs 247.46 crore and debt: equity ratio of 70:30, addition of loans amounting to Rs 173.22 crore has been considered to be drawn during FY 2011-12.

4.9.17. The addition of loans of Rs 173.22 crore was further classified into the following:-

a. Rs 150 crore – Actual loan tied up by RInfra-T from the South Indian Bank with repayment tenure of 5 years and interest rate of 12.75%; and

b. Rs 23.22 crore – Normative loan for the balance loan requirement with repayment tenure of 13 years and an interest rate of 11.50% arrived at by the analysis provided in the para 4.9.13 above.

4.9.18. The Commission has at this stage not considered the additional loan of Rs 50 crore, as informed by RInfra-T vide Letter No. MERC/ Transmission/ ARR FY 2011-12 dated 12 April, 2012. The Commission observes that the actual loan of Rs 200 crore drawn is in excess of the loan requirement of Rs 173.22 crore corresponding to the debt percentage of the approved capitalisation. The Commission, however, would consider the issue and deliberate on the actual loan drawn during the True up for FY 2011-12.

4.9.19. Further, MERC (Terms and Conditions of Tariff) Regulations, 2005 provides for normative repayment for the respective year to be equal to the amount of depreciation on the fixed asset to which such loan relates. The relevant extract of the referred Regulations is provided below:

"48.2 The loan capital calculated using the normative debt: equity ratio under Regulation 47 above shall be assumed to be repaid each year based on a normative repayment schedule:

Provided that the amount of such normative repayment for a year shall be equal to the amount of depreciation on the fixed asset to which such loan relates:

Provided further that where the outstanding normative loan balance is less than the amount of normative loan repayment calculated as above, the repayment shall be assumed to be equal to the outstanding normative loan balance and no further amount shall be permitted on account of such loan:

Provided also that all normative repayments are assumed to be made on September 30th of each financial year."

4.9.20. Therefore, the repayments for the loans have been considered in accordance with the above cited Regulations and the outstanding loans as well as interest expense computed. The interest expenses approved for FY 2011-12 is provided in the table below:-

Table 11: Interest expense on long term loans for FY 2011-12 (In Rs crore)

S.No.	Particulars	RInfra-T Petition	Approved
1	Opening balance of loan	240.75	259.29
2	Additions	216.79	173.22
3	Repayment	(22.84)	(22.39)
4	Closing balance of loan	434.70	410.11
5	**Net Interest expenses**	**40.00**	**33.12**
6	Overall Interest rate	11.84%	9.90%

4.10. Interest on working capital for FY 2011-12

4.10.1. RInfra-T submitted that the working capital requirement has been calculated as per Regulation 50.6.1 of MERC (Terms and Conditions of Tariff) Regulations, 2005. The interest on working capital has been worked out at 14.75% being the Prime Lending Rate of State Bank of India (SBIPLR) at the time of submission of the Petition.

4.10.2. RInfra-T submitted that the sum of book value of stores has been considered based on the month wise inventory for FY 2010-11 and averaged out for the full financial year. The same value has been assumed for FY 2011-12. As regards revenue from transmission charges at present, the transmission charges are being levied on the Transmission System Users (TSUs) as per the Commission's Order dated 3 September 2010 in Case No. 120 of 2009. According to this Order RInfra-T receives Rs. 7,72,91,666/- per month as revenue. The annualized value of the same is considered as revenue from transmission charges in FY 2011-12, for the purpose of estimating working capital requirement.

4.10.3. In reply to a query raised by the Commission for providing the actual expenditures, RInfra-T submitted information in regard to the sum of book value of stores based on the month wise inventory for FY 2011-12 from April 2011 to September 2011 and average out for the full financial year which was arrived at Rs 3.13 crore.

4.10.4. The Commission has in the present exercise not considered the details of actual monthly inventory as submitted by RInfra-T, as the figures are provisional. The Commission has considered one twelfth of the sum of book value of stores & materials as submitted in the Petition. However, the actual figures as per the Audited Accounts would be considered while undertaking APR/ True up. Apart from the above, all other elements except one twelfth of O&M expenses has been considered as submitted in its Petition by RInfra-T. One-twelfth of the O&M expense approved is considered for estimation of the interest on working capital.

4.10.5. Based on the norms provided in MERC (Terms and Conditions of Tariff) Regulations, 2005 the interest on working capital for FY 2011-12 is computed by RInfra-T and the detailed computation is provided in Form 4 of the data formats.

4.10.6. The Commission has scrutinised the above referred submission of RInfra-T in regard to the computation of interest on working capital and found that it was in accordance with the MERC (Terms and Conditions of Tariff) Regulations, 2005. The normative working capital requirement was estimated as the summation of the following items:-

a. One-twelfth of the amount of operation and maintenance expenses for such financial year,

b. One-twelfth of the sum of the book value of stores, materials and supplies including fuel on hand at the end of each month of such financial year,

c. One and a half months equivalent of the expected revenue from transmission charges at the prevailing tariff, and

d. Amount, if any, held as security deposits from Transmission System Users.

4.10.7. Further, in accordance with the MERC (Terms and Conditions of Tariff) Regulations, 2005 the interest rate as on the date of application for determination of tariff is to be considered for approval of the interest on working capital. The interest rate for estimation of interest on working capital has been considered as 14.75% being the Prime Lending Rate of State Bank of India (SBIPLR) as on date of Petition.

4.10.8. The approved normative interest on working capital is provided in the table below:-

Table 12: Interest on working capital for FY 2011-12 (In Rs crore)

S.No.	Particulars	RInfra-T Petition	Approved
1	Interest on working capital	2.40	2.38

4.11. Contribution to contingency reserves for FY 2011-12

4.11.1. RInfra-T submitted that the Regulation 50.7.1 provides that the contribution to contingency reserve shall be a sum not less than 0.25 per cent and not more than 0.50 per cent of the original cost of fixed assets. In view of above, RInfra-T has considered the contribution to contingency reserve at 0.25% of the original cost of fixed assets as on 01 April, 2011, which amounts to Rs 1.67 crore for FY 2011-12.

4.11.2. The Commission directed RInfra-T to submit the closing balance of total contribution to contingency reserve for FY 2010-11 and also submit documentary proof of investment in securities. Further, the statement shown in the table below was submitted by RInfra-T, reflecting the closing balance of contingency reserve contribution as on 31 March, 2011.

Table 13: Statement for Contingency reserve

Particulars	Particulars	Rs. crore
Opening Balance as on 1 April, 2008		**2.97**
Contribution during FY 2008-09	Approved by the Commission Vide Order dated 3 September 2010 in case no. 100 of 2009	0.76
Closing Balance as on 31 March, 2009		**3.73**
Contribution during FY 2009-10	RInfra-T Petition in Case No. 115 of 2011	1.01
Contribution during FY 2010-11	RInfra-T Petition in Case No. 115 of 2011	1.11
Closing Balance as on 3 March, 2011		**5.85**

4.11.3. RInfra-T further submitted that contingency reserve investments in authorised securities is made for RInfra as a whole and the same is reflected in Schedule 6 of the Annual Accounts for FY 2010-11, which have been submitted before the Commission in Case No. 115 of 2011.

4.11.4. The Commission, after considering the above submission, approves the claims as they are in line with the MERC (Terms and Conditions of Tariff) Regulations, 2005

Table 14: Contribution to contingency reserve for FY 2011-12 (In Rs crore)

S.No.	Particulars	RInfra-T Petition	Approved
1	Contribution to contingency reserve	1.67	1.67

4.12. Return on Equity (RoE) for FY 2011-12

4.12.1. RInfra-T submitted that return at the rate of 14% is allowed on the amount of approved equity capital at the beginning of the year plus 50% of the normative equity portion for the assets capitalized during the year, as per the MERC (Terms and Conditions of Tariff) Regulations, 2005. RInfra-T submitted that following the same principle, a Return on Equity of Rs 40.33 crore has been considered for FY 2011-12.

4.12.2. The Commission adopted the same principle provided above which is also in accordance with the principles specified by the MERC (Terms and Conditions of Tariff) Regulations, 2005. The Commission while computing RoE, considered the approved equity at the beginning of the years as Rs 241.29 crore and normative equity of Rs 74.24 crore added during the year based on 30% of the approved capitalisation; provided in Table 9 above.

4.12.3. The Commission computed RoE for FY 2011-12 at 14% on the opening equity and 50% of the equity added during the year. The approval of RoE for FY 2011-12 is provided in the table below:-

Table 15: Return on Equity (RoE) for FY 2011-12 (In Rs crore)

S.No.	Particulars	RInfra-T Petition	Approved
1	Regulatory Equity at the beginning of the year	241.59	241.29
2	Equity portion of assets capitalised during year	92.91	74.24
3	Regulatory Equity at the end of the year	334.50	315.53
4	Return on Regulatory Equity at the beginning of the year	33.82	33.78
5	Return on 50% of Equity portion of capital expenditure capitalised during the year	6.50	5.20
6	**Total Return on Equity**	**40.33**	**38.98**

4.13. Non-tariff income & Other Business income for FY 2011-12

4.13.1. RInfra-T has submitted that forecast is not possible for the various items of Non-Tariff Income and hence the actual Non-Tariff Income for FY 2010-11 of Rs 2.96 crore is considered at the same level for FY 2011-12 as well. It was also submitted that it is not engaged in "Other Business" and hence there is no Income from Other Business estimated for the period from FY 2011-12. In future, where any such income arises, the same would accordingly be intimated to the Commission as per the General Conditions of Licence Regulations and income from the same as per the applicable Tariff Regulations shall be considered in the ARR.

4.13.2. The Commission accepts the above submission made by RInfra-T on Non-Tariff Income for FY 2011-12 and views that the actual Non-Tariff income would be considered during the Truing Up exercise. The Non-Tariff Income as claimed by RInfra-T is approved as shown in the table below:-

Table 16: Non-tariff income for FY 2011-12 (In Rs crore)

S.No.	Particulars	RInfra-T Petition	Approved
1	Non-tariff Income	2.96	2.96

4.14. Income Tax for FY 2011-12

4.14.1. RInfra-T estimated the income tax for FY 2011-12 considering the return on equity and grossed up RoE by the income tax rate of 32.45% to arrive at the regulated profit before tax (PBT). RInfra-T further adjusted regulated PBT for depreciation, interest on long-term debt and interest on working capital.

4.14.2. The Commission while computing the income tax has not added back the normative interest on working capital and long term loan since the normative debt is equivalent to actual debt for the purpose of determining the ARR. The Commission is of the view that the source of raising debts (be it actual or internal accrual) remains the management's choice. Such choice shall not put the consumers at disadvantage while determining ARR for the year. Since the normative interest expense on normative loans have been allowed as an expense in the ARR, the consumers shall not be deprived of the collateral benefits (tax shield) associated with such approved debt. It is no doubt valid that income tax on income earned by utility in capacity of equity investors needs to be reimbursed but it would be improper to extend that principle to compensate utilities of income tax on income earned by them in capacity of moneylenders.

4.14.3. The concept of normative interest on working capital was introduced to fairly create level playing field between utilities that resorted to actual borrowings vis-a-vis utilities which funded the projects from own capital. In first scene where utility has resorted to factual borrowing the consumers pay only interest but not income tax thereon (being income of interest accruing to moneylender). The concept of level playing field would demand that consumers suffer similar impact even in cases of utilities which do not resort to borrowing but fund the ventures from own funds. Thus although the consumers have to pay normative interest on such funding (although there is no factual interest payment by utility) but consumers should not suffer additional impact on tax thereon just because funding pattern has changed from factual borrowing to own funding. Therefore, the Commission does not find any merit in RInfra-T's contention that normative interest shall be added back.

4.14.4. On the basis of the information available, the Commission had assessed the claim of income tax reimbursement for the year 2009-2010 and 2010-2011. In this regard, it may be noted that the company would use the tax paid under MAT mechanism in prior 5 years; (which has been already compensated in the relevant years by the commission) to discharge the tax liability of the current year and accordingly to that extent there will be no fresh tax impact. The tax liability for the year 2011-2012 duly grossed up is estimated at Rs. 0.16 crore as per detailed calculations hereunder. The Commission has by this very Order assessed and compensated the tax payment under MAT mechanism for the year 2010-2011 at Rs.7.34 crores. Accordingly though the Tax is assessed at Rs. 0.16 crores, a MAT credit of Rs. 0.06 crore, will entail further tax payment of Rs. 0.10 crores, because the liability will be discharged by the company as per Income Tax Laws by using the tax paid in earlier years under MAT mechanism which have been already compensated in respective years. Since this is an ARR stage, book profit under MAT is presumed to be same as grossed up ROE.

4.14.5. The income tax approved by the Commission for FY 2011-12 is shown in the table below.

Table 17: Income Tax for FY 2011-12 (In Rs crore)

S.No.	Particulars	RInfra-T Petition	Approved
1	Return on Equity	40.33	38.98
2	Income Tax Rate	32.45%	32.45%
3	Grossed up ROE	59.70	57.71
4	Add: Depreciation as per ARR	23.30	22.84
5	Less: Depreciation as per Income Tax	(80.05)	(80.05)
6	Add: Normative Interest on Long Term Loan	30.44	-
7	Add: Normative Interest on Working Capital	2.40	-
8	Total Profit	35.79	0.50
9	Total Tax liability	11.62	0.16
10	Less: MAT credit utilization	-	0.06
11	**Net Tax liability**	**11.62**	**0.10**

4.15. Revenue from Transmission charges

4.15.1. RInfra-T submitted that the Commission had approved the transmission tariff for InSTS for FY 2010-11 in Case No. 120 of 2009 on 10 September 2010, according to which RInfra-T receives Rs 7, 72, 91, 666 per month as revenue. RInfra-T continues to receive the same in FY 2011-12 as well. Therefore, the revenue recovered in FY 2011-12 is assumed to be Rs 92.75 crore.

4.15.2. The Commission accepts the submission of RInfra-T and approves the revenue from transmission charges as provided in the table below:-

Table 18: Revenue from transmission charges for FY 2011-12 (In Rs crore)

S.No.	Particulars	RInfra-T Petition	Approved
1	Revenue from transmission charges	92.75	92.75

4.16. Incentive for higher system availability and Income Tax on incentive

4.16.1. RInfra-T submitted that it is eligible to earn incentive on higher system availability for FY 2009-10 & FY 2010-11, based on the MSLDC certification which has been provided in the proceedings of Case No. 115 of 2011. RInfra-T has also submitted that it is eligible to receive Income Tax on incentive on transmission availability at corporate tax rate. Further, RInfra-T submitted that incentive for higher system availability and income tax on this incentive for FY 2011-12 be taken up while Truing Up for FY 2011-12.

4.16.2. The Commission has already allowed the incentive on higher system availability amounting to Rs 0.96 crore; which has been considered in the True up for FY 2009-10 in the Order dated 27 February, 2012 in Case No. 115 of 2011. Further, the Commission in the referred Order has also decided that the incentive for higher system availability for FY 2010-11 would be considered during Truing Up exercise for FY 2010-11. However, the issue of income tax is pending in the absence of information as per the Order dated 27 February 2012 in Case No. 115 of 2011 which would be taken up in the tariff proceedings, once the relevant information is available.

4.16.3. The incentive on higher system availability and income tax on this incentive would be taken up during Truing Up of FY 2011-12.

4.17. Cumulative Revenue Gap till FY 2010-11

4.17.1. RInfra-T has submitted that it had filed a Petition for Truing Up for FY 2009-10 and provisional Truing Up for FY 2010-11 (Case No. 115 of 2011), which provides for cumulative Revenue Gap till FY 2010-11 to be Rs. 17.17 crore.

4.17.2. The Commission views that the Order dated 27 February, 2012 in Case No. 115 of

2011 already considered all the expenditure elements of FY 2009-10 and FY 2010-11 and arrived at cumulative surplus of Rs 3.58 crore. This surplus is being adjusted with the ARR for FY 2011-12 in the present Order.

4.18. Aggregate Revenue Requirement for FY 2011-12

4.18.1. Based on the analysis of each element discussed above, the Aggregate Revenue Requirement of RInfra-T for FY 2011-12 as approved by the Commission vis-à-vis that claimed by RInfra-T in the Petition is given in the following table.

4.18.2. The Commission views that the cumulative surplus has already considered the incentive on higher system availability for FY 2009-10 and income tax on this incentive. Additionally, the incentive on higher system availability for FY 2010-11 and income tax on this incentive would be taken up during the Truing Up for FY 2010-11. Therefore, the Commission, while determining of ARR for FY 2011-12, has not separately considered these elements, as they were already considered in the cumulative surplus.

Table 19: Aggregate Revenue Requirement for FY 2011-12 (In Rs crore)

S.No.	Particulars	RInfra-T Petition	Approved
A	**Expenditure**		
1	Operations & Maintenance expenses	22.25	20.69
1.1	Employee expenses	12.82	11.60
1.2	Administration & General expenses	5.40	5.27
1.3	Repair & Maintenance expenses	4.03	3.82
2	Depreciation including advance against depreciation	23.30	22.39
3	Interest on long term loan capital	40.00	33.12
4	Interest on working capital	2.40	2.38
5	Other expenses	-	-
6	Income Tax	11.62	0.10
7	Contribution to contingency reserves	1.67	1.67

S.No.	Particulars	RInfra-T Petition	Approved
	Total expenditure	**101.25**	**80.36**
B	**Return on Equity**	**40.33**	**38.98**
C	**Aggregate Revenue Requirement from transmission tariff**	**141.57**	**119.34**
	Add: Revenue Gap from provisional Truing Up of FY 2010-11	17.17	(3.58)
D	**Total Revenue to be recovered through transmission tariff**	**158.74**	**115.76**

4.19. Revenue gap for FY 2011-12

4.19.1. RInfra-T has proposed a standalone revenue gap of Rs 49.25 crore for FY 2011-12 and cumulative revenue gap till FY 2011-12 of Rs 66.42 crore. The Commission has considered the ARR as approved for FY 2011-12 and the estimated revenue for FY 2011-12 to arrive at the cumulative revenue gap of Rs 23.01 crore.

4.19.2. The cumulative revenue gap would be taken forward in the subsequent Tariff Order for recovery from the transmission tariffs. The approved cumulative revenue gap until FY 2011-12 is provided in the table below:-

Table 20: Cumulative Gap for FY 2011-12 (In Rs crore)

S.No.	Particulars	Approved
1	Total Revenue to be recovered through transmission tariff for FY 2011-12	115.76
2	Estimated revenue from transmission tariff for FY 2011-12	92.75
3	Cumulative gap until FY 2011-12	23.01

4.20. Impact of Income Tax for FY 2009-10 & FY 2010-11 on cumulative revenue gap until FY 2011-12

4.20.1. In the Chapter 3 of this Order, the Commission has computed Income Tax to be recovered by RInfra-T for FY 2009-10 and FY 2010-11. The impact of this Income

Tax recovery is being considered as follows:

Table 21: Cumulative Revenue Gap/ (surplus) until FY 2011-12 (Rs. In crore)

Sr. No.	Particulars	Approved
1	Cumulative gap until FY 2011-12	23.01
2	Add: Impact of Income Tax for FY 2009-10	3.89
3	Add: Impact of Income Tax for FY 2010-11	7.34
4	**Cumulative Revenue Gap until FY 2011-12 to be recovered through Transmission tariff**	**34.24**

4.21. Transmission tariff for FY 2011-12

4.21.1. The Commission has issued its Order in respect of the Intra-State transmission pricing framework in Case No. 58 of 2005 on 27 June 2006. The ARR and the resultant unrecovered revenue gap, as approved by the Commission for RInfra-T for FY 2011- 12 in this Order, will be used to determine the ARR of the complete Intra-State Transmission System of all transmission licensees in the State for FY 2011-12. Hence, in this Order, the Commission has only determined the ARR and revenue gap for RInfra-T for FY 2011-12 and not determined any transmission tariff for RInfra-T. Revenue gap of RInfra-T for FY 2011-12 will be as per the tariff to be determined by the Commission separately under its Order in the matter of Intra-State transmission pricing framework.

4.22. Applicability of Order

4.22.1. Subject to the para 4.21 above, this Order shall come into force with immediate effect. The Commission acknowledges the efforts taken by the Consumer Representatives and other individuals and organisations for their valuable contribution to the approval of Aggregate Revenue Requirement of RInfra-T for FY 2011-12.

Sd/-	Sd/-
(Vijay L. Sonavane) Member	(V. P. Raja) Chairman

Appendix 1

List of Persons who attended the Technical Validation Session on 28 December, 2011

S. No.	Name	Company/ Institution
1	Mr. R. R. Mehta	RInfra-T
2	Mr. Kapil Sharma	RInfra-T
3	Mr. Rohan Kale	RInfra-T
4	Mr. Ganesh Balsubramanian	RInfra-T
5	Mr. P. S. Pandya	RInfra-T
6	Mr. K. R. Patil	RInfra-T
7	Mr. P. M. Hundiwle	RInfra-T
8	Ms. Sapna Purohit	RInfra-T
9	Mr. M. S. Rao	RInfra-T
10	Mr. S. G. Huprikar	RInfra-T

Appendix 2

List of Objectors who raised suggestions/ objections in the Public Hearing held on 22 March, 2012

S. No.	Name of Objector	Company/ Institution
1	Mr. Rakshpal Abrol	Bharatiya Udhami Avam Upbhokta Sangh

Appendix 3

Segmental Allocation of Net Profit – FY 2009-2010

(In Rs. crore)

Particulars	Generation	Transmission	Distribution	Others	RInfra Total
Revenue	1018.76	58.83	4461.00	4,196.96	9,735.55
Non Tariff Income	11.10	0.45	123.98	882.86	1,018.39
Total Income	1029.86	59.28	4584.98	5079.82	10753.94
Less: Expenses					
Cost of Fuel purchased	741.31	-	-	478.52	1,219.83
Cost of power Purchased	-	-	3,318.53	3.41	3,321.94
EPC Contract Expenditure	-	-	-	3,262.49	3,262.49
O & M Expenses					-
Staff Cost	42.59	9.10	344.43	68.74	464.86
R & M Expenses	34.05	3.26	157.84	25.40	220.55
A & G expenses	17.21	3.04	124.98	125.74	270.97
Bad debts / Provision for DD	-	-	13.56	0.73	14.29
Provision for contingencies	-	-	70.00	-	70.00
Depreciation	54.29	15.38	189.53	60.64	319.84
Interest & Finance charges	98.18	-	47.56	146.48	292.22
Total Expenses	987.63	30.78	4266.43	4172.15	9456.99
Segmental Profit	**42.43**	**28.5**	**318.55**	**907.67**	**1296.95**

Note: Allocation basis

i. In the absence of details, revenue is allocated on the basis of respective tariff Petition.
ii. In the absence of details, other income and expenses have been allocated on the basis of 'certified allocation statement' from the statutory auditor.

Appendix 4

Tax Computation: FY 2009-2010

(In Rs. crore)

	Particulars	RInfra G	RInfra D	RInfra T	Others	Total
I)	**INCOME FROM BUSINESS**					
	Net profit as per P & L A/c	**42.23**	**318.55**	**28.50**	**907.67**	**1,296.95**
Less	**Income receipt credited to profit and loss account considered under other heads of income**					
	Income from capital gains considered separately	-	-	-	135.08	**135.08**
	Interest income on Income Tax Refund Considered Separately	-	-	-	29.67	**29.67**
	Balance profit or loss	**42.23**	**318.55**	**28.5**	**742.92**	**1,132.20**
Less	**Income considered exempt/not taxable**					
	Tax free interest from US 64 & ARS bond exempt u/s 10(33)	-	-	-	6.85	**6.85**
	Dividend income exempt u/s 10(35)	-	-	-	165.40	**165.40**
	(-) Expenses in relation to exempt income (Disallowance u/s. 14A)	-	-	-	37.34	**37.34**
	Regulatory income credited not taxable	-	568.33	-		**568.33**
	Balance Profit or loss	**42.23**	**(248.78)**	**28.50**	**608.01**	**428.96**

	Particulars	RInfra G	RInfra D	RInfra T	Others	Total
Add	Depreciation debited to profit or loss account	54.29	189.53	15.38	60.64	**319.84**
Less	Depreciation allowable under the Income-Tax Act	45.46	191.62	20.98	69.25	**327.31**
	Profit or Loss after adjustment for depreciation	**51.06**	**(251.87)**	**22.90**	**599.40**	**421.49**
Add	**Adjustments in accordance with section 28 to 44**					
	Donation	-	-	-	0.10	**0.10**
	Loss on sale of obsolete Assets (Net)	-	-	-	1.04	**1.04**
	Provision for doubtful debts	-	-	-	49.13	**49.13**
	Provision for diminution in value of investments	-	-	-	0.41	**0.41**
	Loss on sale of investments	-	-	-	0.00	**0.00**
	Provision for contingency as per clause 17(k) of Tax audit report	-	-	-	75.02	**75.02**
	Buy back related expenses	-	-	-	0.05	**0.05**
	De-merger expenses	-	-	-	2.30	**2.30**
	Share issue expenses (QIB)	-	-	-	1.33	**1.33**
	Disallowance u/s 36(1)(VA) as per Clause 16(b) of Tax audit report	-	-	-	0.00	**0.00**
	Disallowance u/s 40(a) as per Clause 17(f) of Tax audit report	-	-	-	0.02	**0.02**
	Disallowance u/s 43 B as per clause 21(i) of Tax audit	-	-	-	8.86	**8.86**

	Particulars	RInfra G	RInfra D	RInfra T	Others	Total
	report					
	Penalty/Fine	-	-	-	0.07	**0.07**
	Subtotal	-	-	-	138.33	**138.33**
	Balance Profit or Loss	51.06	(251.87)	22.90	737.72	**559.81**
Less	**Adjustments in accordance to section 28 to 44**					
	Profit on sale of assets	-	-	-	3.74	**3.74**
	Reversal of provision of doubtful debts and diminution in the value of investments against earlier years provisions (clause 20 of tax audit report)	-	-	-	6.04	**6.04**
	Premium on redemption on Preference Shares	-	-	-	195.52	**195.52**
	Deduction u/s 35 D- 8th year	-	-	-	0.01	**0.01**
	Expenditure on Amalgamation on RSPCL & BAPL u/s 35 DD-4th year	-	-	-	0.47	**0.47**
	Expenditure on Amalgamation on RPFPL u/s 35 DD - 2nd year	-	-	-	0.01	**0.01**
	Interest expenses on VFD wrongly capitalised in AY 2008-09 claimed as revenue	-	-	-	0.30	**0.30**
	Director's Commission paid for the FY 2008-09 disallowed in AY 2009-10,claimed as revenue expenditure on actual payment	-	-	-	0.40	**0.40**

	Particulars	RInfra G	RInfra D	RInfra T	Others	Total
	Expenditure disallowed in earlier year u/s 40(a), now allowable on payment basis.	-	-	-	0.81	**0.81**
	Expenditure on replacement of meters	-	43.29	-		**43.29**
	Expenditure allowable on payment basis u/s 43B	-	-	-	22.48	**22.48**
	Balance Profit or Loss	-	43.29	-	229.78	**273.07**
	Income chargeable under the head Profits and gains as per Computation	51.06	(295.16)	22.90	507.94	**286.75**
	Less:					
	Normative Interest on Long Term Loan	13.60	89.82	7.30	(110.72)	-
	Normative Interest on Working Capital Loan	10.19	58.45	1.59	(70.23)	-
	Rent income on Santacruz Land and Building	-	26.08	-	(26.08)	-
	Net increase \ (decrease) in expenditure approved (refer note 1)	44.45	(40.10)	(0.29)	(4.06)	-
	Adjusted Income chargeable under the head Profits and gains as per Computation	(17.18)	(377.25)	14.30	666.87	286.75
II)	**INCOME FROM CAPITAL GAINS/LOSS**					
	Short term capital gain on sale of Mutual Fund Units-FMP Scheme	-	-	-	84.45	**84.45**
	Long Term Capital Loss on	-	-	-	(218.42)	-

	Particulars	RInfra G	RInfra D	RInfra T	Others	Total
	Premium on Redemption of Preference Shares-Realised					
	Long Term Capital Loss on Sale Of Mutual Fund Units - FMP Scheme	-	-	-	(0.53)	-
		-	-	-	(218.95)	-
	Add: Long Term Capital Loss Brought Forward from AY 2009-10	-	-	-	(62.60)	-
	Long Term Capital Loss to be carried forward for AY 2011-12	-	-	-	**(281.55)**	-
III)	**INCOME FROM OTHER SOURCES**					
	Dividend Income	-	-	-	165.40	-
	Less: Exempt u/s 10(34) & 10(35)	-	-	-	165.40	-
	Interest on Income Tax Refund	-	-	-	29.67	**29.67**
	GROSS TOTAL INCOME	**(17.18)**	**(377.25)**	**14.30**	**780.99**	**400.86**
	Less: Deductions					
	U/s 80G (50%)	-	-	-	0.03	**0.03**
	U/s 80G (100%)	-	-	-	0.05	**0.05**
	U/s 80 IA	-	-	-	110.84	**110.84**
	Taxable Income	**(17.18)**	**(377.25)**	**14.30**	**670.07**	**289.95**
	Tax on the same @ 33.99%	**(5.84)**	**(128.23)**	**4.86**	**227.76**	**98.55**

Note 1: Net increase \ (decrease) in expenditure approved vis-a-vis actuals: R Infra T (Rs. In crore)

S. No.	Particulars	As per Actuals	As approved by Commission	Net increase / (decrease)
1	O & M Expenses	15.4	15.4	-
2	Depreciation including AAD	10.02	10.01	-0.01
3	Interest on long term loan	7.58	7.3	-0.28
4	Interest on working capital and CSD	1.59	1.59	-
	Total	**34.59**	**34.30**	**-0.29**

Note 2: Allocation basis

a) Depreciation as per company books is allocated as per the 'certified allocation statement' from the statutory auditors.

   Depreciation as per Income Tax Act is allocated as per the respective Petition.

b) In the absence of details about the break-up of various allowances, disallowances, deductions, exemptions into G-T-D segment of Mumbai licensed area and others, is allocated to 'others segment' except the following deduction is allocated to R-Infra D:
   - Expenditure on replacement of meters – Rs. 43.29 crore.
   - Regulatory income credited not taxable – Rs. 568.33 crore

Appendix 5

Segmental Allocation of Net Profit – FY2010-2011

(In Rs. crore)

Particulars	**Generation**	**Transmission**	**Distribution**	**Others**	**RInfra Total**
Revenue	1129.32	77.86	3749.21	4324.05	9280.44
Non Tariff Income	10.29	2.68	212.75	625.93	851.65
Total Income	1139.61	80.54	3961.96	4949.98	10132.09
Less: Expenses					
Cost of power Purchased	-	-	2713.76	10.55	2724.31
Cost of Fuel	780.51		-	520.63	1301.14
O & M Expenses					
Staff Cost	45.28	10.31	388.5	136.66	580.75
R & M Expenses	30.87	3.78	186.28	10.21	231.14
A & G expenses	17.26	3.48	131.23	241.12	393.09
Bad debts / Provision for DD	-	-	5	0.02	5.02
EPC Contract Expenditure	-	-	-	3205.73	3205.73
Depreciation	55.84	16.93	178.26	62.38	313.41
Interest & Finance charges	98.18	-	21.09	123.18	242.45
Total Expenses	1027.94	34.5	3624.12	4310.48	8997.04
Segmental Profit	**111.67**	**46.04**	**337.84**	**639.5**	**1135.05**

Note: Allocation basis

i) In the absence of details, revenue is allocated on the basis of respective tariff Petition.

ii) In the absence of details, other income and expenses have been allocated on the basis of 'certified allocation statement' from the statutory auditor.

Appendix 6

MAT working: FY2010-2011

(In Rs. crore)

Particulars	Generation	Distribution	Transmission	Others	Total
Net profit before Taxes and Statutory Appropriations and provisions as per P & L A/c	111.67	337.84	46.04	639.50	**1,135.05**
Add:					
Disallowance U/s 14A	-	-	-	39.13	**39.13**
Prov. For Contingencies	-	-	-	5.90	**5.90**
Provision for doubtful debts\Advances	-	-	-	46.71	**46.71**
Provision for diminution in the value of investments	-	-	-	0.49	**0.49**
Less:					
Tax Free Income	-	-	-	112.70	**112.70**
Directors Commission, disallowed earlier, now claimed on actuals	-	-	-	0.40	**0.40**
Prov. For Contingencies written back, disallowed in earlier years	-	-	-	20.56	**20.56**
Wealth Tax provision	-	-	-	0.15	**0.15**
Taxable Income	111.67	410.13	46.04	597.92	**1,093.47**
MAT Liability @ 19.93%	22.26	67.33	9.18	119.17	**217.93**

Note 1: Allocation basis

In the absence of details about the break-up of various allowances, disallowances, deductions, exemptions into G-T-D segment of Mumbai licensed area and others.

Note 2: MAT credit (In Rs. crore)

Particulars	**Generation**	**Distribution**	**Transmission**
MAT credit b/f of earlier years	34.08	-	-
Add: MAT credit for current year	17.80	53.87	7.34
Less: MAT credit utilised	-	-	-
Closing MAT credit C/f	51.88	53.87	7.34