Before the

MAHARASHTRA ELECTRICITY REGULATORY COMMISSION

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Case No. 100 of 2009

IN THE MATTER OF

Petition filed by Reliance Infrastructure Ltd.'s Transmission Business' (RInfra-T) Petition for Truing Up of Aggregate Revenue Requirement for FY 2008-09, Annual Performance Review for FY 2009-10 and Determination of Revenue Requirement for FY 2010-11

Shri V. P. Raja, Chairman

Shri S. B. Kulkarni, Member

Shri V. L. Sonavane, Member

ORDER

Dated: September 3, 2010

In accordance with the Tariff Regulations notified by the Maharashtra Electricity Regulatory Commission (hereinafter referred as MERC or the Commission), Reliance Infrastructure Limited's Transmission Business (RInfra-T), submitted its application for approval of truing up for FY 2008-09, Annual Performance Review for FY 2009-10 and Aggregate Revenue Requirement for FY 2010-11, under 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, and after review of Annual Performance for FY 2009-10 determines the revenue requirement for the Transmission Business of RInfra for FY 2010-11 as under.

Abbreviations

A&G	Administrative and General
APR	Annual Performance Review
ARR	Annual Revenue Requirement
ATE	Appellate Tribunal for Electricity
BSES	BSES Limited (now known as Reliance Energy Limited)
BVQI	Bureau Veritas Quality of India
CERC	Central Electricity Regulatory Commission
Commission/MERC	Maharashtra Electricity Regulatory Commission
CPI	Consumer Price Index
CSO	Central Statistical Organisation
Capex	Capital Expenditure
CTC	Cost to Company
DPR	Detailed Project Report
EA 2003	Electricity Act, 2003
EHV	Extra High Voltage
FBSM	Final Balancing & Settlement Mechanism
GET	Graduate Engineer Trainee
GFA	Gross Fixed Assets
GPA	Gross Personal Allowance
GoI	Government of India
IBSM	Interim Balancing and Settlement Mechanism
IDC	Interest During Construction
IMS	Integrated Management System
InSTS	Intra-State Transmission System
IWC	Interest on Working Capital
IT	Income Tax
kV	Kilo Volt
kVA	Kilo-Volt Amperes
kW	Kilo Watt
LILO	Loop In Loop Out

MIS	Management Information System
MSETCL	Maharashtra State Electricity Transmission Company Limited
MSLDC	Maharashtra State Load Despatch Centre
MW	Mega Watt
MYT	Multi Year Tariff
O&M	Operation & Maintenance
PLR	Prime Lending Rate
PBT	Profit Before Tax
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
STU	State Transmission Utility
TVS	Technical Validation Session
WDV	Written Down Value
WPI	Wholesale Price Index

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1. BACKGROUND & BRIEF HISTORY

1.1 Background

This Order relates to the Petition filed by Reliance Infrastructure Limited for its Transmission Business (RInfra-T) for truing up of expenses and revenue for FY 2008-09, Annual Performance Review for FY 2009-10 and determination of Aggregate Revenue Requirement for FY 2010-11.

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's transmission network consists of around 482 km of 220 kV lines, three 220 kV EHV stations and associated other infrastructure.

1.2 Tariff Regulations

The Commission, in exercise of the powers conferred by the Electricity Act, 2003 (EA 2003), notified the Maharashtra Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2005, (hereinafter referred as the MERC Tariff Regulations) on August 26, 2005. These Regulations superseded the MERC (Terms and Conditions of Tariff) Regulations, 2004.

1.3 Commission's Order on ARR and Tariff Petition for FY 2005-06 and FY 2006-07

Reliance Energy Limited (REL) filed its ARR Petition for FY 2005-06 on March 1, 2005, based on the draft Tariff Regulations. The Commission notified the MERC (Terms and Conditions of Tariff) Regulations, 2005 on August 26, 2005. In compliance with the Commission's directions issued vide its letter dated October 10, 2005, REL submitted its revised ARR Petition for FY 2005-06 providing the break-up of ARR of Generation, Transmission and Distribution Function on November 22, 2005.

Subsequently, REL submitted its ARR and Tariff Petition for FY 2006-07 on February 24, 2006. After two Technical Validations sessions, the Commission vide its letter May 3, 2006 directed REL to submit its 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 May 10, 2006.

The Commission admitted the ARR Petition of REL for FY 2005-06 (Case No. 25 of 2005) and ARR and Tariff Petition of REL for FY 2006-07 (Case No. 53 of 2005) on May 18, 2006. The Commission issued its Order on the above said Petitions of REL on October 3, 2006.

1.4 ATE Judgment

The Commission, in the Tariff Order dated October 3, 2006, determined the revenue requirement of REL for FY 2006-07. In the same Order, the Commission also dealt with the truing up of cost and revenues for FY 2004–05 and FY 2005–06 based on actuals, subject to prudence check. REL challenged this Order of the Commission in the Appellate Tribunal for Electricity (ATE) on the issues of:

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 Judgment passed by the ATE dated May 22, 2006 by including it in the ARR of REL as a distribution licensee by the Commission in the manner set out in paragraph 7.16 and 7.17 of 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.

The ATE upheld the appeal of REL in its Judgment dated April 4, 2007 in Appeal No. 251 of 2006 as given below:

a) The ATE upheld REL's appeal regarding the allowance of the actual employee expenditure, A&G expenditure and Income Tax of Rs. 207.34 crore, Rs. 102.02 crore and Rs. 101 crore, respectively, as claimed by REL as against the Commission approved figures of Rs. 161.85 crore, Rs. 74.05 crore and Rs. 7.64 crore, respectively, for FY 2004-05.

b) The ATE also upheld REL's appeal regarding the allowance of the actual employee expenditure, A&G expenditure and Income Tax of Rs. 207.26 crore, Rs. 101.64 crore and Rs. 74 crore, respectively, as against the Commission approved figures of Rs. 182.76 crore, Rs. 77.48 crore and Rs. 26.96 crore, respectively, for FY 2005-06.

c) The ATE upheld REL's appeal in the context of applicability of norms stipulated under the Tariff Regulations, and 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 on MYT Petition of REL-T for FY 2007-08 to FY 2009-10

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 January 16, 2007. The Commission issued the MYT Order for REL-T on April 2, 2007, which came into effect from April 1, 2007. As the Annual Performance Review for FY 2007-08 and Tariff determination for FY 2008-09 were under process, the various Utilities filed Petitions for continuation of revenue requirement determined for FY 2007-08 till the time of issuance of the respective Orders for each Utility. Accordingly, the Commission in its Order dated April 1, 2008 in Case No. 102 of 2007 extended the applicability of the aforesaid Tariff Orders for the Utilities till the revised tariffs are determined for FY 2008-09 under the APR framework and Orders issued there under.

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

REL-T submitted its Petition for Annual Performance Review (APR) for FY 2007-08 and determination of tariff for FY 2008-09 for its Transmission Business on November 30, 2007. The Commission issued the APR Order for REL-T in Case No. 64 of 2007 on May 26, 2008, which came into effect from June 1, 2008, and the tariffs were initially valid upto March 31, 2009, which was later extended till the revised tariff were determined for FY 2009-10 vide the Commission's Order dated April 15, 2009 in Case Nos. 152, 153 and 154 of 2008. REL-T appealed against the Commission's Order on the APR for FY 2007-08 and determination of

ARR for FY 2008-09 on the issue of sharing of efficiency gains and losses, income tax computation and computation of transmission system availability, before the ATE (numbered as Appeal No. 115 of 2008). The ATE upheld the appeal of REL in its Judgment dated May 28, 2009 in the aforesaid Appeal. REL-T (renamed as RInfra-T) has presented the impact of the ATE Judgment on truing up of FY 2006-07 and FY 2007-08 in the present Petition. The submissions of RInfra-T and the rulings of the Commission in this respect are detailed in the subsequent sections of this Order.

1.7 MERC Order on APR Petition for RInfra-T for FY 2008-09 and Determination of Revenue Requirement for FY 2009-10

RInfra-T submitted its Petition for Annual Performance Review (APR) for FY 2008-09 and Revenue Requirement for FY 2009-10 for its Transmission Business on December 10, 2008, numbered as Case No. 119 of 2008. The Commission issued the APR Order for RInfra-T on May 28, 2009, which came into effect from June 1, 2009. RInfra-T has appealed against the Commission's Order on APR for FY 2008-09 and determination of ARR for FY 2009-10 before the ATE (numbered as Appeal No. 149 of 2009). The ATE's decision on RInfra-T's Appeal is awaited.

1.8 RInfra-T's Petition for truing up for FY 2008-09, Annual Performance Review for FY 2009-10 and Revenue Requirement for FY 2010-11

In accordance with Regulation 9.1 of MERC Tariff Regulations, the application for the determination of tariff has to be made to the Commission not less than 120 days before the date from which the tariff is intended to be made effective. Further, the first proviso to Regulation 9.1 states that the

> *"date of receipt of application for the purpose of this Regulation shall be the date of intimation about the receipt of a complete application in accordance with Regulation 8.4 above:"*

In view of the separate process being undertaken by the Commission for formulation of the MERC MYT Regulations for the Control Period from FY 2011-12 to FY 2015-16, the Commission directed RInfra-T to submit the Petition for truing up for FY 2008-09, APR for FY 2009-10 and determination of revenue requirement for FY 2010-11 for its Transmission Business, latest by December 31, 2009.

RInfra-T submitted its Petition for truing up for FY 2008-09, APR for FY 2009-10 and ARR for FY 2010-11 for its Transmission Business on December 23, 2009, based on actual audited expenditure for FY 2008-09, actual expenditure for first half of FY 2009-10, i.e., from April to September 2009, and revised estimated expenses for October 2009 to March 2010, and projections for FY 2010-11. RInfra-T, in its Petition, requested the Commission to:

- Admit the APR Petition;
- True up the Aggregate Revenue Requirement (ARR) for FY 2008-09;
- Approve revised estimates of ARR of FY 2009-10 and FY 2010-11.

The Commission, vide its letter dated February 2, 2010, forwarded the preliminary data gaps and information required from RInfra-T. RInfra-T submitted its replies to preliminary data gaps and information requirement on February 12, 2010.

The Commission scheduled a Technical Validation Session (TVS) on RInfra-T's Petition for approval of APR for FY 2009-10 and ARR for FY 2010-11, on February 16, 2010, in the presence of authorised Consumer Representatives. The list of individuals, who participated in the TVS, is provided at **Appendix-1**. During the TVS, the Commission directed RInfra-T to provide additional information and clarifications on issues raised during the TVS. The Commission also directed RInfra-T to submit the draft Public Notice in English and Marathi in the format prescribed by the Commission.

1.9 Admission of Petition and Public Process

RInfra-T submitted its responses to the queries raised during the TVS on March 15, 2010, and the Commission admitted the APR Petition of RInfra-T on March 17, 2010. In accordance with Section 64 of the EA 2003, the Commission directed RInfra-T to publish its application in the prescribed abridged form and manner, to ensure public participation. The Commission also directed RInfra-T to reply expeditiously to all the suggestions and objections from stakeholders on its Petition. RInfra-T issued the Public Notice in newspapers inviting suggestions and objections from stakeholders on its APR Petition. The Public Notice was published in The Times of India (English), DNA (English), Loksatta (Marathi) and Samana (Marathi), newspapers on March 20, 2010. The copies of RInfra-T's Petitions and its summary were made available for inspection/purchase to members of the public at RInfra-T's offices and on RInfra-T's website (www.rinfra.com). The copy of Public Notice and Executive Summary of the Petition was also available on the web site of the Commission (www.mercindia.org.in) in downloadable format. The Public Notice specified that the suggestions and objections, either in English or Marathi, may be filed in the form of affidavits along with proof of service on RInfra.

The Commission received written suggestions and objections from various persons. The Public Hearing was held on **April 15, 2010 at 11:00 hours at Rangsharda Natya Mandir, Bandra Reclamation, Bandra (W), Mumbai 400 050**. The list of objectors, who participated in the Public Hearing, is provided in **Appendix- 2**.

The Commission has ensured that the due process, contemplated under law to ensure transparency and public participation has been followed at every stage meticulously and adequate opportunity was given to all the persons concerned to file their say in the matter.

Though a common Public Hearing was held for processing the APR Petitions for FY 2009-10 and determination of ARR and tariff for FY 2010-11 filed by RInfra-G (numbered as Case No. 99 of 2009) and RInfra-T (numbered as Case No. 100 of 2009), the Commission is issuing separate Orders on the two Petitions filed by RInfra. This Order deals with the truing up for FY 2008-09, Annual Performance Review of FY 2009-10 and Aggregate Revenue Requirement of RInfra-Transmission Business for FY 2010-11. Various suggestions and objections that were raised on RInfra-T's Petition after issuing the Public Notice both in writing as well as during the Public Hearing, along with RInfra-T's response and the Commission's rulings have been detailed in Section 2 of this Order.

1.10 Organisation of the Order

This Order is organised in the following five Sections:

- **Section 1** of the Order provides a brief history of the quasi-judicial regulatory process undertaken by the Commission. For the sake of convenience, a list of abbreviations with their expanded forms has been included.
- **Section 2** of the Order lists out the various objections raised by the objectors in writing as well as during the Public Hearing before the Commission. The various objections have been summarized, followed by the response of RInfra and the ruling of the Commission on each of the issues.
- **Section 3** of the Order details the truing up of expenses and revenue of RInfra's Transmission Business for FY 2008-09, including sharing of efficiency gains/losses due to controllable factors.

- **Section 4** of the Order comprises the impact of ATE Judgments on truing up of Revenue Requirement of FY 2006-07 and FY 2007-08.
- **Section 5** of the Order comprises the Review of Performance for FY 2009-10, covering both operational performance and expenditure heads. This Section also comprises the Commission's analysis on various components of revenue requirement of RInfra-T for FY 2010-11.

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

2.1 Capital Expenditure

Shri. P.P. Karhade submitted that RInfra-T should clarify the reasons behind the increase in capital expenditure projected for FY 2010-11 as compared to the capital expenditure in the previous year. He added that the expenses of RInfra should be verified by an independent agency.

RInfra's Response

RInfra-T submitted that Section 4.1.1 of the APR Petition for FY 2009-10, describes in detail the need for the increase in the capital expenditure for FY 2010-11. RInfra-T summarised the major reasons for the increase in capital expenditure as under:

- Requirement of additional receiving station, GIS panel, etc., to relieve load on the existing receiving stations, to enhance capacity and create redundancy.
- Replacement of existing porcelain insulators by polymers insulators to reduce corrosion of transmission lines/insulators due to proximity to sea.

RInfra added that the capital expenditure plan is subjected to technical clearance from the State Transmission Utility (STU) and is also subjected to in-principle clearance from the Commission. Further, RInfra clarified that the details of the number of DPR schemes sanctioned by the Commission are also provided in the financial model submitted along with the current Petition.

Commission's Ruling

The Commission's treatment on the actual and proposed capitalisation of RInfta-T is elaborated in the respective sections of the current Order.

2.2 Transmission Licensing Issue

Shri Rakshpal Abrol, representing Bharatiya Udhami Avam Upbhokta Sangh submitted that before the enactment of EA 2003, the license for generation and transmission was initially granted to "Bombay Suburban Electric Supply Ltd.". The date of expiry of licence was later amended from June 2, 1988 to August 15, 2011. With the enactment of the EA 2003 on June 10, 2003, generation of electricity was de-licenced, but the EA 2003 retained licencing control on the transmission business. Further, the name of the organisation was changed to “BSES Ltd.” under the Companies Act 1956, and subsequently to “Reliance Energy Ltd.”, and finally to “Reliance Infrastructure Ltd.-T “. RInfra-T is neither a Government Company nor a Company referred under Section 131(2) of EA 2003 and therefore, cannot be deemed to be transmission licensee under the EA 2003 and thus cannot file an APR Petition.

In his rejoinder to the reply submitted by RInfra, he enquired whether the Commission has issued any Order where the aforesaid issue of Transmission Licence has been dealt with and disposed of.

RInfra’s Response

RInfra-T submitted that the Commission has adequately addressed the issue of licensing in its various Orders and specifically in the Commission’s Order dated March 15, 2010.

Commission's Ruling

The Commission has dealt with the issue raised by the Objector in its Tariff Order for BSES (presently RInfra-G, RInfra-T and RInfra-D) in Case No. 18 of 2003 dated July 1, 2004.

The Commission is of the view that the current APR Petition filed by RInfra for its Transmission Business is in accordance with the provisions of the Electricity Act, 2003 and also in accordance with the Orders issued by the Commission.

3. TRUING UP OF AGGREGATE REVENUE REQUIREMENT FOR FY 2008-09

RInfra-T, in its Petition for Annual Performance Review for FY 2009-10 and determination of revenue requirement for FY 2010-11, has included a section on final truing up of expenditure and revenue for FY 2008-09 based on actual expenditure and revenue for FY 2008-09 as per audited accounts. RInfra-T has provided the comparison of actual revenue and expenditure against each head with the revenue and expenditure approved by the Commission along with the reasons for deviations. RInfra-T submitted that in its Petition, it has considered truing up for FY 2008-09 and that the revenue gap in FY 2008-09 was entirely on account of uncontrollable factors.

In this Section, the Commission has analysed all the elements of actual revenue and expenses for FY 2008-09, and has undertaken the truing up of expenses and revenue after prudence check. Further, the Commission has undertaken the sharing of gains and losses on account of controllable factors for FY 2008-09, between the Licensee and the consumers in accordance with Regulation 19 of the MERC (Terms and Conditions of Tariff) Regulations, 2005.

3.1 O&M Expenses

Operation and Maintenance (O&M) expenditure comprises of employee related expenditure, Administrative and General (A&G) expenditure, and Repair and Maintenance (R&M) expenditure. RInfra-T's submissions on each of these expenditure heads, and the Commission's ruling on the truing up of the O&M expenditure heads are detailed below.

3.1.1 Employee Expenses

RInfra-T submitted that the net actual employee expenses for FY 2008-09 was Rs 8.71 Crore against Rs. 6.84 Crore approved by the Commission in its Order dated May 28, 2009. R-Infra-T submitted that the increase in actual employee expenditure in FY 2008-09 as against the actual employee expenditure of Rs. 7.32 Crore for FY 2007-08 was due to following reasons:

- Employees had been shifted from the GPA (Gross Personal Allowance) package to CTC (cost to company) structure and the consequential increase is reflected in the actual employee expense.
- Lack of experienced manpower necessitated the recruitment of fresh graduates foreseeing the future requirements. GET's (Graduate Engineer Trainees) were

recruited and the increase in salary had a consequential increase in the employee expense.

The employee expense for FY 2008-09 as submitted by RInfra-T is shown in the following table.

Table: Employee Expenses for FY 2008-09 (RInfra-T)

(Rs Crore)

Particulars	**APR Order**	**Actuals**
Gross Employee Expenses	**7.76**	**11.04**
Less: Expenses Capitalised	**(0.92)**	**(2.33)**
Net Employee Expenses	**6.84**	**8.71**

RInfra-T projected a further increase in gross employee expense to Rs 11.04 Crore in FY 2008-09, and submitted that based on FY 2007-08 employee expenses, if per employee cost was calculated, it would amount to Rs. 0.07 crore per employee (Gross expense of Rs. 7.32 crore over 102 employees) and if this ratio is made applicable to the number of employees for FY 2008-09 (145 numbers), the total gross employee expense would amount to Rs. 10.15 crore. RInfra-T attributed the balance increase in gross employee expense to shifting of the employees from GPA package to CTC (cost to company) structure.

RInfra-T, in its Petition emphasised that there has been a reduction in certain expenses such as overtime payment, staff welfare expenses, etc., which is attributable to the Company's emphasis on increasing productivity and efficiency.

In reply to a query raised by the Commission regarding implementation of any employee incentive scheme linked to performance parameters, RInfra-T submitted that presently no such incentive scheme exists and the same was being planned to be implemented in the future. RInfra-T assured the Commission that details of such schemes would be submitted once the same was implemented.

RInfra-T, in response to the queries raised by the Commission, submitted a comparison of the sub-head wise expenditure under employee expenses for FY 2008-09 and FY 2007-08. Significant increase in expenditure towards allowances such as Conveyance allowance and other allowances were observed and RInfra attributed such increase to be the effect of shifting of the employees from GPA package to CTC structure.

The Commission is of the view that employee expense is a 'controllable' parameter and has accordingly, analysed the actual employee expenses for FY 2008-09 under various heads vis-à-vis the actual expenditure in FY 2007-08.

In its reply to data gaps raised, RInfra-T submitted a reconciliation statement between the revenue and expenses of Reliance Infrastructure Limited as a Company and its various business operations, including details of the allocation to RInfra-D, RInfra-T and RInfra-G (for Mumbai licence area) separately.

Considering the details of actual employee expenses and reasons submitted by RInfra-T, the Commission has allowed the actual employee expenses for FY 2008-09 under the truing up exercise, as summarised in the following Table:

Table: Employee Expenses ***(Rs Crore)***

Particulars	APR Order	Actuals	Allowed after truing up
Net Employee Expenses	**6.84**	**8.71**	**8.71**

3.1.2 Administration & General (A&G) Expenses

RInfra-T submitted that the actual A&G expenses in FY 2008-09 were Rs 2.51 Crore as against Rs 2.23 Crore approved by the Commission in its APR Order dated May 28, 2009. R-Infra-T submitted that the increase in the expenditure on account of A&G expenses in FY 2008-09 as against the actual expenditure of Rs. 2.35 Crore was due to following reasons:

- Increase in conveyance and travel expenses of Rs. 0.14 Crore.
- Increase in training charges of Rs. 0.04 crore, incurred on providing training to newly recruited trainees (GET) which was undertaken at Power Systems Training Institute affiliated to Govt. of India.

RInfra-T added that telephone expenses for FY 2008-09 was Rs. 0.03 crore whereas for FY 2007-08 it was shown as nil. RInfra-T clarified that the same was included as part of miscellaneous expenses in FY 2007-08. RInfra-T submitted that other than the aforesaid increase in expenses, it was able to maintain the expenses at the same level as that in FY 2007-08.

RInfra-T, in response to the queries raised by the Commission, submitted a comparison of the sub-head wise expenditure under employee expenses for FY 2008-09 and FY 2007-08. Significant increase in expenditure towards 'conveyance and travel' and 'vehicle running expenses' were observed and RInfra attributed the increase under the former head to interaction with various stakeholders in the value chain for updation on market dynamics from supplier side and the increase under the latter head to representation of such expenses under a separate new head, which was earlier shown under the head 'Vehicle hiring expenses'.

Considering the details of actual A&G expenses and reasons submitted by RInfra-T for increase in A&G expenses, the Commission has considered actual A&G expenses for FY 2008-09. The summary of A&G expenses approved in the APR Order, actual A&G expenses and A&G expenses approved after truing up for FY 2008-09 has been shown in the following Table:

Table: A&G Expenses ***(Rs Crore)***

Particulars	APR Order	Actuals	Allowed after truing up
Net A&G Expenses	2.23	2.51	2.51

3.1.3 R&M Expenses

RInfra-T submitted that the actual R&M expenses of Rs 3.25 Crore in FY 2008-09, which was higher than the R&M expense of Rs. 2.66 Crore approved by the Commission in its APR Order dated May 28, 2009, was on account of additional activities pertaining to hotline washing of transmission lines on towers at critical locations to prevent undesirable tripping. Further, there was an increase in the R&M expenses on account of replacement of defective and punctured insulators. RInfra-T requested the Commission to allow the R&M expense of Rs. 3.25 Crore under the truing up process.

RInfra-T, in its Petition, elaborated the benefit of practices like hotline washing and insulator replacement. According to RInfra-T, there has been a significant improvement in reliability of transmission system resulting into maximum availability of these transmission corridors for the Generating Stations. RInfra-T added that had the expenditure not been incurred, it would had resulted in lateral flash-over of insulators and also line breakdowns due to shattering of insulators, thus, adversely effecting availability and reliability of transmission network, which would have caused following consequences:

- Unavailability of Transmission Corridor for the Generating Stations
- Interruption in electric supply to consumers in Mumbai
- Creating instability in Western Grid

RInfra-T further submitted the head-wise expenditure incurred towards additional activities such as Hot line washing and Insulator replacement, which added to Rs 0.41 Crore. However, the Commission observed that the actual increase in the R&M expenditure due to incremental expense was of Rs. 0.59 Crore (Rs. 3.25 Crore – Rs. 2.66 Crore). The Commission asked RInfra-T about the reasons for increase in the rest of R&M expense apart from expenses incurred towards hotline washing and insulator replacement. In response to the same, RInfra-T submitted that a cost to the tune of Rs 0.11 Crore was incurred on account of painting of 220/33 kV transformers and neutral grounding transformers, which were installed since 1995, with Polymer paint. RInfra further stated that balance of the incremental expense was incurred on R&M activities such as water proofing at the Control room of 220 kV Versova EHV station to rectify seepage due to salination.

In reply to a query raised by the Commission, RInfra-T clarified that the porcelain insulators that were replaced, were commissioned during the year 1995 and were not covered under any supply warranty.

The Commission is of the view that R&M expense is a 'controllable' parameter and has accordingly, analysed the actual R&M expenses for FY 2008-09 under various heads vis-à-vis the actual expenditure in FY 2007-08.

Considering the details of actual R&M expenses and reasons submitted by RInfra-T for increase in R&M expenses, the Commission has considered actual R&M expenses for FY 2008-09. The summary of R&M expenses approved in the APR Order, actual R&M expenses and R&M expenses approved after truing up for FY 2008-09 has been shown in the following Table:

Table: R&M Expenses ***(Rs Crore)***

Particulars	APR Order	Actuals	Allowed after truing up
Net R&M Expenses	2.66	3.25	3.25

3.2 Capital Expenditure and Capitalisation

Variation between approved and actual values of capital expenditure and capitalisation significantly influences computation of various expenses such as depreciation, interest on long term debt, and return on equity. RInfra-T, in its Petition, submitted that it had incurred an amount of Rs 118.50 Crore towards capital expenditure in FY 2008-09. Out of this, works amounting to Rs. 99.79 Crore were capitalized. The capitalization includes interest capitalized and expense capitalized. RInfra-T added that Interest was capitalized considering the rate of 9% as approved by the Commission (being interest on normative loan for FY 2008-09) in the Tariff Order dated May 28, 2009. Further, the total capitalization includes DPR (Detailed Project Report) and Non DPR schemes and the major schemes capitalised in FY 2008-09 are as follows:

- Installation of additional 125 MVA transformer at 220 kV Aarey EHV Station,
- Installation of additional 125 MVA transformer at Ghodbunder 220 kV EHV sub-station
- 33 kV GIS (Gas Insulated Switch Gears) board of additional transformer at Versova
- 33 kV 13 panels GIS board at Aarey, Versova, Ghodbunder EHV station

RInfra-T further submitted in its Petition the benefits of the above listed major DPR schemes. Apart from the aforesaid DPR schemes, RInfra-T also submitted a brief write up on the Non-DPR schemes, which have been put to use during the year. The Non-DPR schemes that were capitalised during the year included schemes such as Detailed Engineering and Consultancy for new Projects, Security and System Reliability improvement schemes, Procurement of the testing equipment and maintenance tools, Procurement of 220 kV Instrument Transformer and spares for multi Circuit tower and 100 MVA transformers, protection of 220 kV towers, installation of new capacitor banks and 220 kV isolator sets plus cvil works at all Stations.

As regards approval of capitalisation during a year, the Commission in its previous APR Order had made following observations:

- The Commission has decided that the total capital expenditure and capitalization on non-DPR schemes in any year should not exceed 20% of that for DPR schemes during that year.

- In the absence of documentary evidence that the stated purpose and objective of the capex schemes have been achieved, the Commission is restricting the capitalization considered for the purposes of determination of ARR and tariff. Once the utilities submit the necessary justification to prove that the scope and objective of the capex scheme has been achieved as projected in the DPR, the same may be considered in future Orders.

As regards the established benefits vis-à-vis the benefits projected and achievement of the scheme's purpose and objective, RInfra-T submitted that the same has been submitted for FY 2007-08 on June 22, 2009 for perusal of the Commission. Further, for FY 2008-09, the data in the format as specified by the Commission has been submitted on July 15, 2009. RInfra-T also submitted the following table in its current Petition depicting the capitalisation of DPR and Non-DPR schemes for FY 2008-09.

Table: Capital expenditure and Capitalisation (submitted by RInfra-T) (Rs Crore)

Particulars		**Rs Crore**	**% of Non-DPR on DPR**	**Order dated 28.05.2009**
Capital Expenditure	DPR	103.23		
	Non-DPR	15.27	14.79%	
	Total	118.50		
Capitalisation	DPR	84.72		39.85
	Non-DPR	15.07	17.79%	6.95
	Total	99.79		46.79

Based on submissions made by RInfra-T, the Commission has analysed the actual benefits accrued and the benefits projected of various schemes capitalised by RInfra-T and the same has been considered while approving the capitalisation for FY 2008-09.

Accordingly, approved capitalisation for FY 2008-09 is summarised in the following Table:

Table: Capitalisation (Commission) (Rs Crore)

Particulars	**APR Order**	**Actuals**	**Allowed after truing up**
Capitalisation	46.79	99.79	99.79

3.3 Depreciation

The Commission, in its APR Order dated May 28, 2009, had permitted depreciation to the extent of Rs. 8.23 Crore for FY 2008-09, which amounted to 2.71% of Opening level of Gross Fixed Assets (GFA) of RInfra-T for FY 2008-09, which was stated at Rs 303.64 Crore. The depreciation rates were considered as prescribed under MERC Tariff Regulations. RInfra-T, in its APR Petition, submitted that the actual depreciation expense incurred in FY 2008-09 was Rs 7.64 Crore, at an overall depreciation rate of 2.16% corresponding to the average of opening and closing GFA of Rs. 353.53 Crore, and requested the Commission to allow the actual depreciation expenses after truing up.

RInfra-T clarified that the reduction in actual depreciation against the approved depreciation is due to the fact that certain asset values have already reached 90% on which depreciation has not been claimed by RInfra-T. Further, RInfra confirmed in its Petition that depreciation has not been claimed beyond 90% of the asset value.

Further, against capitalisation of Rs 46.79 Crore considered under the APR Order, actual capitalisation by RInfra-T during FY 2008-09 amounted to Rs 99.79 Crore. The Commission has verified the actual capitalisation claimed by RInfra-T against the capex schemes already approved by the Commission. Accordingly, the depreciation expenditure approved by the Commission for FY 2008-09 has been summarised in the following Table:

Table: Depreciation ***(Rs Crore)***

Particulars	APR Order	Actuals	Allowed after truing up
Depreciation	8.23	7.64	7.64
Avg. of Opening and Closing Gross Fixed Asset	NA	353.53	353.53
Depreciation as % of Avg of Opening and closing GFA	**NA**	**2.16%**	**2.16%**

3.4 Interest Expenses

The Commission, in its APR Order dated May 28, 2009, had approved interest expense of Rs. 2.23 Crore, after considering the interest expense on normative debt corresponding to capitalised assets only. The Commission had considered an interest rate of 10% p.a. for the assets put to use during FY 2004-05 and FY 2005-06 and an interest rate of 8% p.a. for assets put to use during FY 2006-07 and FY 2007-08. For FY 2008-09, the Commission had considered an interest rate of 9% in its previous APR Order. RInfra-T submitted that the revised interest expense for FY 2008-09 is estimated at Rs. 2.32 Crore.

For the purpose of final true-up of interest expense for FY 2008-09, the Commission has considered the interest expense of 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 in line with the principles adopted in the APR Order dated May 28, 2009. The Commission has considered normative loan repayment tenure of 10 years for loan drawal during FY 2004-05 and FY 2005-06 and 20 years for loan drawal during FY 2006-07, FY 2007-08 and FY 2008-09. For FY 2008-09, the Commission has considered an interest rate of 9% in line with the rate considered in the previous APR Order. Further, in the case of interest expense for FY 2008-09 the Commission has considered the loan drawal, loan repayment and interest expense based on actual capitalisation for FY 2008-09. Accordingly, the interest expense during FY 2008-09 works out to Rs. 2.33 Crore as against Rs. 2.32 Crore as claimed by RInfra-T and as shown in the following Table:

Table: Interest Expenses ***(Rs Crore)***

Particulars	**APR Order**	**Actuals**	**Allowed after truing up**
Op. Balance	9.67	9.67	9.67
Additions	32.75	69.85	69.85
Repayments	(2.53)	(4.49)	(4.39)
Cl. Balance	39.89	75.03	75.14
Interest	**2.23**	**2.32**	**2.33**

3.5 Interest on working capital

As regards Interest on Working Capital, RInfra-T submitted that the interest rate has been considered at 12.75 % as considered by the Commission in its Order dated May 28, 2009. Accordingly, RInfra-T estimated the revised Interest on Working Capital (IWC) considering the components considered in the MERC Tariff Regulations, 2005 as Rs. 1.21 Crore as against Rs 0.97 Crore approved by the Commission.

RInfra-T submitted that sum of the book value of stores has been considered based on month-wise inventory and averaged out for the full financial year.

The Commission has estimated the normative working capital interest for FY 2008-09 in accordance with the MERC Tariff Regulations and based on expenses approved in this Order after truing up. However, the Commission considers this to be a controllable parameter and has therefore computed the sharing of gains/losses on the difference between normative working capital interest and the actual working capital interest incurred, which in this case is zero, since this is a controllable parameter. The detailed rationale for such a treatment is provided in Section 4 of this Order. Further, the MERC Tariff Regulations stipulates that rate of interest on working capital shall be considered on normative basis and shall be equal to the short-term Prime Lending Rate of State Bank of India as on the date on which the application for determination of tariff is made. As the short-term Prime Lending Rate of State Bank of India at the time when RInfra-T filed the Petition for ARR for FY 2008-09 was 12.75%, the Commission has considered the interest rate of 12.75% for estimating the normative interest on working capital, which works out to Rs 1.21 Crore.

3.6 Return on Equity (RoE)

RInfra-T submitted that based on the capital expenditure, capitalisation and normative debt: equity norm of 70:30, the return on the equity portion has been considered at 14%. Further, RInfra-T has computed RoE on the opening equity as well as on 50% of the equity portion of the capitalisation during the year in accordance with the MERC Tariff Regulations.

The Commission has computed the RoE for FY 2008-09 on the opening balance of equity and 50% of the equity portion of the approved asset capitalisation during the year, in accordance with the MERC Tariff Regulations as applicable for the transmission business. The summary of RoE projected by RInfra-T and approved by the Commission for FY 2008-09 is summarised in the following Table:

Table: Return on Equity ***(Rs Crore)***

Particulars	APR Order	Actuals	Allowed after truing up
Regulatory Equity at beginning of year	132.35	132.35	132.35
Equity Portion of Capitalised Expenditure	14.04	29.94	29.94
Regulatory Equity at the end of the year	146.39	162.29	162.29
Return on Regulatory Equity at the beginning of the year	18.53	18.53	18.53

Particulars	APR Order	Actuals	Allowed after truing up
Return on Equity Portion of Capital Expenditure Capitalised	0.98	2.10	2.10
Total Return on Regulatory Equity	**19.51**	**20.62**	**20.62**

3.7 Contribution to Contingency Reserves

RInfra-T submitted that the contribution to contingency reserves for FY 2008-09 has been computed at 0.25% of opening GFA in accordance with the MERC Tariff Order dated May 26, 2008, in Case No.64 of 2007, as Rs. 0.76 Crore, which is the same amount as approved by the Commission in the APR Order.

In response to the query raised by the Commission, RInfra-T submitted that the opening balance of Contingency reserve as on April 1, 2008 is Rs 2.97 Crore. The Commission observes that the same along with 0.25% of Opening GFA claimed by RInfra-T is within the limit of 5% of the original cost of fixed asset in FY 2008-09 as specified in Regulation 50.7.1 of the MERC Tariff Regulations, 2005.

The MERC Tariff Regulations stipulate that the amount appropriated under contingency reserve shall be invested in securities authorized under the Indian Trusts Act, 1882 within a period of six months of the close of the financial year. The Commission asked RInfra-T to submit documentary evidence to the effect that contingency reserve for FY 2008-09 has been invested in approved securities, in accordance with MERC Tariff Regulations. RInfra responded that RInfra continues to maintain contingency reserves investments of Rs 114.74 Crore in the authorised securities as reflected in Schedule 6(A) (a) of the Annual Accounts and proportionately take the income there from in Regulatory submission.

The Commission has also considered the contribution to contingency reserves at 0.25% of opening GFA for FY 2008-09. Accordingly, for the purpose of truing up of expenses for FY 2008-09, the Commission has considered contribution to contingency reserve of Rs 0.76 Crore for FY 2008-09 as claimed by RInfra-T.

3.8 Incentive for Higher Availability

RInfra-T submitted that in accordance with the Commission's Order dated June 27, 2006, in Case No. 58 of 2005, RInfra-T is entitled for incentive on transmission system availability higher than 98%. RInfra-T submitted that the transmission system availability in FY 2008-09 was 99.63%, and the incentive works out to Rs. 0.86 Crore.

In its Order in Case 58 of 2005, the Commission had ruled as under:

> *"2.8.7 Accordingly, the Commission rules that the transmission licensee shall be entitled to incentive on achieving annual availability beyond the target availability as stipulated under MERC (Terms and Conditions for Tariff) Regulations 2005, in accordance with the following formula:*
>
> *Incentive = Annual Transmission Charges x [Annual availability achieved – Target Availability] / Target Availability;*
>
> *Where,*
>
> *Annual transmission Charges shall correspond to ARR for the particular transmission licensee within State, as the case may be.*
>
> *Provided that no incentive shall be payable above the availability of 99.75% for AC system and 98.5% for HVDC system."*

In this context, the transmission system availability of the transmission licensee needs to be certified by Maharashtra State Load Despatch Centre (MSLDC). Accordingly, the Commission through APR Order for FY 2008-09, directed RInfra-T to arrange for requisite certification from MSLDC and also directed MSLDC to formulate appropriate procedure to monitor and certify the Transmission System Availability of various transmission licensees on regular basis. RInfra-T has submitted its transmission system availability computations for FY 2008-09, duly certified by MSLDC.

Accordingly, the Commission has computed the incentive for transmission system availability greater than 98% in accordance with the above formula and considering the approved ARR of Rs. 53.01 Crore (Section 3.12), the incentive for FY 2008-09 works out to Rs. 0.88 Crore. The Commission has included the above incentive of Rs. 0.88 Crore in the Aggregate Revenue Requirement for FY 2010-11, which shall be payable by the Transmission System Users.

3.9 Income Tax

RInfra-T, in its Petition has classified the issues pertaining to income tax computation for FY 2008-09 into three heads, as detailed below:

- **Normative Interest on working capital-add back to ROE.**

The Commission, in its APR Order dated May 28, 2009 stated that normative interest on working capital loan has not been added to the Return on Equity (RoE) to compute the Income Tax for FY 2008-09 since it is not possible to project the actual interest expense that will be incurred by RInfra-T. However, RInfra-T submitted that ATE in its Judgment in Appeal No.115 of 2008 dated May 28, 2009 stated that funds utilised in meeting the working capital requirement also carries a cost. In this regard, RInfra-T submitted the relevant extract of the ATE Judgment which is reproduced as under:

> *"It is true that internal funds also deserve interest in as much as the internal fund when employed as working capital loses the interest it could have earned by investment elsewhere. Further the licensee can never have any funds which has no cost. The internal accruals are not like some reserve which does not carry any cost. Internal accruals could have been inter corporate deposits, as suggested on behalf of the appellant. In that case the same would also carry the cost of interest. When the Commission observed that the REL had actually not incurred any expenditure towards interest on working capital it should have also considered if the internal accruals had to bear some costs themselves."*

RInfra-T submitted that, based on the above-mentioned ATE Judgment, it has considered the normative interest on working capital for calculating income tax as if it is the actual interest on working capital.

- **Tax on income arising out of availability incentive**

R-Infra-T further submitted that ATE in its Judgment in Appeal No. 115 of 2008 had directed that Income Tax on availability incentive shall be a pass through in the tariff. Accordingly, RInfra-T has determined the income tax on incentive at prevalent tax rate of 33.99% (30% tax, 10% surcharge on tax, and 2% education cess on tax and surcharge), which works out to Rs 0.29 Crore for FY 2008-09.

- **Regulatory return on equity considered as profit before tax**

For the purpose of truing up of FY 2008-09, RInfra-T has worked out the Income Tax on RoE in accordance with the approach adopted by the Commission in the previous ARR Order, dated May 28, 2009. RInfra-T submitted that, as per Regulation 50.1, RInfra-T is entitled to Return on Equity (RoE) on the equity-capital at the rate of 14% per annum. After considering the above, the tax liability for RInfra-T at the prevalent tax rate of 33.99% (i.e., 30 % tax, 10% surcharge on tax and 3% education cess on tax & surcharge) is Rs. 6.10 crore for FY 2008-09 against the Commission allowed tax liability of Rs. 6.81 crore for the same year in the previous APR Order. The income tax calculation as submitted by RInfra-T is as follows:

Table: Income Tax (submitted by RInfra-T) ***(Rs Crore)***

Sl.	**Particulars**	**FY 2008-09**	
		APR Order	**Petitioned**
1	Profit Before Tax/Regulated Return on Equity	19.51	20.62
2	Add: Depreciation as per APR	8.23	7.64
3	Less: Depreciation as per Income Tax	(9.95)	(13.86)
4	Add: Normative Interest on Long Term Loan	2.23	2.32
5	Add: Normative Interest on Working Capital	-	1.21
6	**Total**	**20.02**	**17.94**
7	**Income Tax on Total Profit**	**6.81**	**6.10**

However, RInfra-T contended that Income tax on ROE should be permitted after grossing up the ROE by Tax Rate, and submitted the computation of the same as a separate scenario in the Petition. The same is reproduced as under.

Table: Income Tax after grossing up ROE (submitted by RInfra-T)

(Rs Crore)

Sl.	**Particulars**	**Actuals**
1	Profit Before Tax/Regulated Return on Equity	20.62
	Income Tax	33.99%
	Grossed up ROE	31.24
2	Add: Depreciation as per APR	7.64
3	Less: Depreciation as per Income Tax	(13.86)

4	Add: Normative Interest on Long Term Loan	2.32
5	Add: Normative Interest on Working Capital	1.21
6	**Total**	**28.56**
7	**Income Tax on Total Profit**	**9.71**

RInfra-T submitted that, if the aforesaid computation is considered, the ARR would stand increased by Rs. 3.61 Crore (Rs 9.71 Crore-Rs 6.10 Crore).

In response to the clarification sought by the Commission on issue whether income tax refund was availed for the previous year, RInfra-T stated that credit towards tax adjustment for earlier years was received, which amounts to Rs 72.34 Crore and the same is reflected as a credit entry in the Annual Accounts of RInfra for FY 2008-09. In addition RInfra-T informed that the IT refund primarily arises due to the difference between tax provided based on the computation done by the Company and the final assessment and may include an element of issues for earlier years, which are pending under review at different levels of assessment, appellate, etc. Besides, RInfra stated that the computation of tax for regulated business is done as per the Tariff Regulations and is taken accordingly in the ARR/APR. Therefore, RInfra submitted that refund received/additional charge made, if any at the Company level would not impact computation submitted for ARR/APR.

For the purpose of income tax computations, the Commission has considered the RoE as the regulatory profit before tax, in accordance with the approach adopted by the Commission in the previous APR Order. Further, the Commission has not grossed up such RoE component for income tax, since the income tax is being allowed as an expense under the ARR, in accordance with the MERC Tariff Regulations. However, the Commission has considered the submissions made by RInfra-T in respect to tax on income arising out of incentive earned by RInfra-T due to higher than normative availability of its transmission system for the computation of tax for FY 2008-09. As regards considering normative interest on working capital for tax computation, the Commission has considered the difference in normative and actual interest on working capital (which in the current case is Zero) for computation of tax for FY 2008-09.

As regards income tax refund received by RInfra-T in FY 2008-09, the Commission does not find any merit in the contention of RInfra-T that tax refund received/additional charge made at the Company level would not impact computation submitted for ARR/APR. The Commission is of the view that such refund would have been derived out of the higher tax liability, which the consumers of various businesses of RInfra would have borne at some point of time in the past and hence, such refunds should be used to reduce the present cost burden on the Consumers after factoring the time value of such amount. On the other hand, Commission also finds that such refund, if taken into consideration in the present Order, will lead to apportioning of such refund among the Generation, Transmission and Distribution Businesses of RInfra. The procedure appears to be quite tedious as far as the present APR exercise is concerned and therefore the impact of tax refund has not been considered by the Commission in the present APR process.

Based on the above principles and on the basis of submissions made by RInfra-T, the Commission has estimated the income tax of RInfra-T on standalone basis for FY 2008-09. The income tax projected by RInfra-T in its APR Petition and the income tax approved by the Commission after truing up is shown in the Table below:

Table: Income Tax ***(Rs Crore)***

Sl.	Particulars	FY 2008-09	
		Petitioned	Approved after truing up
1	Profit Before Tax/Regulated Return on Equity	20.62	20.62
2	Add: Depreciation as per APR	7.64	7.64
3	Less: Depreciation as per Income Tax	(13.86)	(10.68)
4	Add: Normative Interest on Long Term Loan	2.32	2.33
5	Add: Normative Interest on Working Capital	1.21	1.21
6	**Total**	**17.94**	**21.12**
7	Tax Rate	33.99%	33.99%
8	**Income Tax on Total Profit**	**6.10**	**7.18**

Table: Income Tax on availability incentive ***(Rs Crore)***

Sl.	Particulars	FY 2008-09	
		Petitioned	Approved after truing up
1	Incentive arising out of availability incentive	0.86	0.88
2	Tax Rate	33.99%	33.99%
3	**Income Tax arising out of availability incentive**	**0.29**	**0.30**

The income tax arising out of higher availability of RInfra-T system as approved by the Commission has been added to the ARR of FY 2010-11 in Section 5 of this Order.

3.10 Non Tariff Income

RInfra-T submitted that the actual non-tariff income for FY 2008-09 was Rs. 1.19 Crore, as against Rs.0.17 Crore approved by the Commission, which was attributable to the following reasons:

- Rs. 0.06 Crore was the income pertaining to liquidated damages received from the vendors on account of delay in the delivery date.
- Income of Rs. 0.94 Crore pertains to realization of exchange gain because of the rate difference when advance payment was made and payment was made against the delivery date.
- Rs. 2.97 Crore was invested in Government of India securities, 2010, bearing interest rate of 5.87%and Rs.0.17 Crore pertains to interest on contingency reserve investment for FY 2008-09.

Accordingly, the Commission has considered the non-tariff income as submitted by RInfra-T, as shown in the Table below:

Table: Non-Tariff Income ***(Rs Crore)***

Particulars	APR Order	Actuals	Allowed after truing up
Non-Tariff Income	0.17	1.19	1.19

3.11 Revenue from Transmission Tariff

RInfra-T submitted that the actual revenue received in FY 2008-09 was Rs. 63.51 Crore as against Rs. 63.56 Crore approved by the Commission in its Intra-Sate Transmission System (InSTS) Order dated April 2, 2007 in Case No. 86 of 2006 and InSTS Order dated May 31, 2008 in Case No. 104 of 2008, and submitted the actual month-wise revenue from transmission tariff. RInfra submitted that such a difference in actual and approved revenue has risen due to the actual revenue received on the basis of monthly bills which are to the last decimal point.

For the purpose of truing up, the Commission has considered the actual revenue as submitted by RInfra-T.

3.12 Sharing of gains and losses in FY 2008-09

RInfra-T categorised all the expenditure as uncontrollable and hence, did not compute the gains and losses for controllable expenditure. The relevant provisions under the MERC Tariff Regulations stipulating sharing of gains/losses due to controllable factors are reproduced below:

> *"17.6.2 Some illustrative variations or expected variations in the performance of the applicant which may be attributed by the Commission to controllable factors include, but are not limited to, the following:*
>
> *(a) Variations in capital expenditure on account of time and/ or cost overruns/efficiencies in the implementation of a capital expenditure project not attributable to an approved change in scope of such project, change in statutory levies or force majeure events;*
>
> *(b) Variations in technical and commercial losses, including bad debts;*
>
> *(c) Variations in the number or mix of consumers or quantities of electricity supplied to consumers as specified in the first and second proviso to clause (b) of Regulation 17.6.1;*
>
> *(d) Variations in working capital requirements;*
>
> *(e) Failure to meet the standards specified in the Standards of Performance Regulations, except where exempted in accordance with those Regulations;*
>
> *(f) Variations in labour productivity;*
>
> *(g) Variations in any variable other than those stipulated by the Commission under Regulation 15.6 above, except where reviewed by the Commission under the second proviso to this Regulation 17.6.*
>
> *…*
>
> *19.1 The approved aggregate gain to the Generating Company or Licensee on account of controllable factors shall be dealt with in the following manner:*

(a) One-third of the amount of such gain shall be passed on as a rebate in tariffs over such period as may be specified in the Order of the Commission under Regulation 17.10;

(b) In case of a Licensee, one-third of the amount of such gain shall be retained in a special reserve for the purpose of absorbing the impact of any future losses on account of controllable factors under clause (b) of Regulation 19.2; and

(c) The balance amount of gain may be utilized at the discretion of the Generating Company or Licensee.

19.2 The approved aggregate loss to the Generating Company or Licensee on account of controllable factors shall be dealt with in the following manner:

(a) One-third of the amount of such loss may be passed on as an additional charge in tariffs over such period as may be specified in the Order of the Commission under Regulation 17.10; and

(b) The balance amount of loss shall be absorbed by the Generating Company or Licensee."

The Commission has considered the performance parameters and expenses for computing the sharing of gains/losses in accordance with the MERC Tariff Regulations, as elaborated below:

Sharing of gains on account of Interest on Working Capital (IWC)

As discussed in the above paragraphs, the actual interest on working capital incurred by RInfra-T during FY 2007-08 is nil and the normative interest on working capital approved by the Commission considering other elements of expenses as approved after truing up, works out to Rs 1.03 Crore. Since, this is a controllable parameter, 1/3rd of the gains on account of saving of interest on working capital, i.e., difference between normative IWC and actual IWC, will have to be shared between RInfra-T and the transmission system users, in accordance with the MERC Tariff Regulations. Accordingly, net entitlement of RInfra-T towards interest on working capital works to Rs 0.69 Crore and efficiency gain to be shared with transmission system users works out to Rs 0.34 Crore. Further, the detailed rationale in sharing the efficiency gains in respect of interest on working capital for FY 2008-09 has been provided in Section 4 of this Order.

Total Amount of Efficiency Gains

The summary of the net ARR and efficiency gains as approved by the Commission for FY 2008-09 is given in the following Table:

Table: Summary of Truing Up for FY 2008-09 ***(Rs. Crore)***

Sl.	Particulars	Order	Audited	Approved after truing up	Total Efficiency Gains/(Losses)	1/3rd of Gains/Losses shared with TSU	2/3rd of Gain/Losses retained by RInfra-T	Net entitlement by Rinfra-T
(1)	(2)	(3)	(4)	(5)	(6)=(5)-(3)	(7)=(6)/3	(8)=(6) x 2/3	(9)
A	**Expenditure**							
1	Operation & Maintenance Expenses	11.73	14.47	14.47	-	-	-	14.47
1.1	*Employee Expenses*	*6.84*	*8.71*	8.71				
1.2	*Administration & General Expenses*	2.23	*2.51*	2.51				
1.3	*Repair & Maintenance Expenses*	2.66	*3.25*	3.25				
2	Depreciation, including advance against depreciation	8.23	7.64	7.64				7.64
3	Interest on Long-term Loan Capital	2.23	2.32	2.33				2.33
4	Interest on Working Capital	0.97	1.21	1.21	1.21	0.40	0.80	0.80
5	Other Expenses	-	-	-				-
6	Income Tax	6.81	6.10	7.18				7.18
7	Contribution to contingency reserves	0.76	0.76	0.76				0.76
	Total Expenditure	**30.73**	**32.49**	**33.58**	**1.21**	**0.40**	**0.80**	**33.18**
B	**Return on Equity**	**19.51**	**20.62**	**20.62**				**20.62**
C	**Aggregate Revenue Requirement**	**50.25**	**53.12**	**54.20**	**1.21**	**0.40**	**0.80**	**53.80**
	Add: Revenue Gap for FY 2006-07	5.71	5.71	5.71				5.71
	Add: Incentive for higher availability in FY 2006-07	0.45	0.45	0.45				0.45
	Add: Revenue Gap for FY 2007-08	6.66	6.66	6.66				6.66
D	**Aggregate Revenue Requirement from Transmission Tariff**	**63.07**	**65.94**	**67.02**				**66.62**
E	**Revenue**							
1	Tariff income	63.56	63.51	63.51				63.51
2	Non-tariff Income	0.17	1.19	1.19				1.19
	Total of Revenue	**63.73**	**64.71**	**64.71**				**64.71**
F	**Revenue Gap/ (Surplus)**	**(0.67)**	**1.23**	**2.32**				**1.91**
G	**Carrying cost on gap**	**-**	**0.31**	**-**				**-**
H	**Total Revnue Gap/ (Surplus)**	**(0.67)**	**1.54**	**2.32**				**1.91**
I	**Add Incentive due to Higher Availability in FY 2008-09**			**0.88**				**0.88**
J	**Net Gap/(Surplus) including incentive**							**2.80**

3.13 Revenue Gap

Under its APR Petition for FY 2009-10, RInfra-T has submitted Aggregate Revenue Requirement of Rs 65.94 Crore for FY 2008-09 and total revenue of Rs 64.71 Crore comprising revenue from transmission tariff of Rs 63.51 Crore and Non-tariff income of Rs 1.19 Crore. Accordingly, RInfra-T has submitted total revenue gap for FY 2008-09 as Rs 1.54 Crore which is inclusive of a carrying cost of Rs 0.30 Crore on the revenue gap for FY 2008-09.

The Commission has recomputed the revenue gap/(surplus), by considering the approved ARR and net entitlement upon sharing of gains/losses pursuant to final true-up for FY 2008-09 as Rs 66.62 Crore and approved revenue of Rs 64.71 Crore. Further, the incentive income of Rs 0.88 Crore on account of higher availability in FY 2008-09 has been considered in the ARR of FY 2010-11.

Thus, the net revenue gap for FY 2008-09 works out to Rs. 2.80 Crore (including revenue gap of Rs 1.91 Crore and an incentive of Rs 0.88 Crore), which has been added to the ARR of FY 2010-11, as discussed in the subsequent Section.

As regards carrying cost on the revenue gap, the Commission has not considered the same since, in accordance with the present MYT framework, the truing up of the revenue and revenue requirement of any financial year is done during the determination of Tariff / Aggregate Revenue Requirement for the second subsequent year and thus the actual revenue gap/surplus derived out of the truing up exercise for a financial year is passed on to the consumer at the end of the second subsequent year. Thus, the Commission is of the view that the same cannot be treated as a deferred allowance/disallowance on which carrying cost has to be permitted.

4. IMPACT OF ATE JUDGMENT AND PREVIOUS YEAR TRUING UP

4.1 Background

As discussed in Section 1, the Commission issued the Order on the APR Petition of REL-T (now RInfra-T, the Petitioner) for FY 2008-09 (Case No. 64 of 2007) on May 26, 2008. In the said Order, the Commission had undertaken the truing up of the expenditure for FY 2006-07. RInfra-T appealed (Appeal No.115 of 2008) against the Commission's APR Order, before the ATE. The ATE issued its Judgment on the Petitioner's above-said Appeal on May 28, 2009. RInfra-T submitted that the ATE has allowed RInfra's appeal on the issues detailed in subsequent paragraphs and accordingly, it is entitled to recover certain amount of expenditure disallowed by the Commission in its Order dated May 26, 2008. RInfra-T has applied the same principles as set forth by the aforesaid ATE Judgment on FY 2007-08 to determine the additional allowance due to RInfra-T over and above that approved by the Commission in the truing-up Order for FY 2007-08 dated May 28, 2009. Accordingly, RInfra-T in the current Petition has also claimed recovery of the expenditure disallowed by the Commission in its Order dated May 28, 2009.

RInfra-T, in the present Petition, also highlighted certain principles set through ATE Judgments in Appeal No. 117 of 2008 (filed by RInfra-G) and Appeal No. 137 of 2008 (filed by TPC), which would be applicable to RInfra-T as well, and has assessed the impact of such ATE Judgments on the truing up of FY 2006-07 and FY 2007-08. The impact of the same has been discussed in detail in the subsequent paragraphs of this Section of the Order.

4.2 Normative Interest on Working Capital

On the issue of interest on working capital for FY 2006-07, the Commission in its above said Order dated May 26, 2008, stipulated as follows:

> *"…*
>
> *Further, REL-T submitted in its reply to additional queries raised by the Commission that REL had not availed any loan for the purpose, and has funded such working capital requirement through internal accruals. Hence, REL has not actually incurred any expenditure towards interest on working capital during FY 2006-07.*

> *The Commission has estimated the normative working capital interest for FY 2006-07 in accordance with the Commission's Tariff Regulations and based on expenses approved in this Order after truing up. However, the Commission has computed the sharing of gains/losses on the difference between normative working capital interest and the actual working capital interest incurred, which in this case is zero, since this is a controllable parameter.*
>
> *..."*

The ATE, in its Judgment in Appeal No. 115 of 2008, ruled as following:

> *"It is true that internal funds also deserve interest in as much as the internal fund when employed as working capital loses the interest it could have earned by investment elsewhere. Further the licensee can never have any funds which has no cost. The internal accruals are not like some reserve which does not carry any cost. Internal accruals could have been inter corporate deposits, as suggested on behalf of the appellant. In that case the same would also carry the cost of interest. When the Commission observed that the REL had actually not incurred any expenditure towards interest on working capital it should have also considered if the internal accruals had to bear some costs themselves. The Commission could have looked into the source of such internal accruals and the cost of generating such accruals. The cost of such accruals or funds could be less or more than the normative interest. In arriving at whether there was a gain or loss the Commission was required to take the total picture into consideration which the Commission has not done. It cannot be said that simply because internal accruals were used and there was no outflow of funds by way of interest on working capital and hence the entire interest on working capital was gain which could be shared as per Regulation No. 19. Accordingly, the claim of the appellant that it has wrongly been made to share the interest on working capital as per Regulation 19 has merit."*

In view of the above Judgment of ATE, RInfra-T submitted that it is entitled to recover an amount of Rs 0.20 Crore for FY 2006-07 and an amount of Rs 0.26 Crore for FY 2007-08 on account of interest on working capital passed on as efficiency gain in the respective years.

In its Judgment, while ruling on the matter, the ATE observed that the Commission should have assessed whether the internal accruals had to bear some costs themselves, and that the

Commission could have looked into the source of such internal accruals or funds, and the cost of these funds could be higher or lower than the normative interest. The ATE has observed that the Commission was required to take the total picture into consideration while arriving at whether there was a gain or loss.

Accordingly, for FY 2006-07 and FY 2007-08, the Commission asked RInfra-T to provide clarity regarding whether the working capital requirement has been met from the cash flows of RInfra-T and/or cash flows from any other business. Further, RInfra was also asked to submit the cash flow statement indicating as to how the working capital requirement has been met for RInfra-T business. In addition, the source and cost of such funds with appropriate justification was sought from RInfra. In its initial response to the above queries raised by the Commission, RInfra-T only submitted that the entitlement as sought in respect of Interest on Working Capital may be allowed in view of the various Judgments made by ATE in this regard and quoted few extracts of the ATE Judgments in Appeal No. 111 of 2008 (filed by RInfra-G), Appeal No. 115 of 2008 (filed by RInfra-T) and Appeal No. 117 of 2008 (filed by RInfra-D). However, no information or justification as sought by the Commission was submitted by RInfra-T. The Commission repeatedly sought the same information and justification from RInfra-T as part of the additional queries raised by the Commission after the Technical Validation Session. Responding to the query, RInfra-T stated that as per the ATE Judgment in Appeal No. 115 of 2008, the Commission is only required to assess the source and cost of internal accruals employed for funding working capital requirement of RInfra-T. RInfra-T further submitted that, presently, there is no separate accounting for RInfra-T and the same is part of accounts prepared for RInfra as a whole and this makes it virtually impossible to segregate the cash flows of RInfra-T from the rest of RInfra. In addition, RInfra-T submitted that it is meeting its working capital requirements using internal treasury funds of RInfra and the same is employed because of ease of availability and zero administrative charges and commission, etc. As regards cost of funds deployed to meet the working capital, RInfra did not submit any specific justification and requested to permit the interest on working capital by reiterating the Judgment of ATE in this respect.

From the above responses of RInfra-T, it is observed that RInfra-T has not been able to satisfactorily address the Commission's queries in this matter for FY 2006-07 and FY 2007-08, and that there is no substantiation of the actual working capital interest on funds used for meeting working capital requirement, for FY 2008-09 as well. The Commission is of the view that by implication, RInfra has managed to meet its working capital requirements by its own operational efficiency, and has minimised the working capital requirement itself, and not actually relied on any funds to meet its working capital requirement. Hence, the Commission has allowed the entire working capital interest on normative basis in accordance with the MERC Tariff Regulations. Further, as per Regulation 17.6.2 (d) of the MERC (Terms and Conditions of Tariff) Regulations, 2005, variation in working capital requirement is a controllable factor, and hence, the Commission rules that the entire normative working capital interest has to be considered as an efficiency gain, and the sharing of gains has to be computed in accordance with Regulation 19.1 of the MERC (Terms and Conditions of Tariff) Regulations, 2005.

In view of the above, the Commission finds that there is no merit in RInfra-T's claim to claw back the amount already passed on as efficiency gain to Distribution Utilities in the previous APR Orders.

4.3 Income Tax on Transmission Availability Incentive

On the issue of income tax on transmission availability incentive for FY 2006-07, the Commission in its above said Order dated May 26, 2008, stipulated as follows:

> *"...*
>
> *As regards tax on income arising out of transmission availability incentive, the Commission is of the view that the expenses incurred for achieving better performance (such as A&G, R&M, etc.) including higher transmission availability have already been allowed as pass through by the Commission and allowing tax on income arising out of better performance will put additional burden to consumers. Hence, the Commission has not considered the tax on income arising out of transmission availability incentive. The regulatory profit before tax has been considered as the RoE, grossed up for income tax, since the RoE is also taxed as a part of the income, and the Licensee is entitled for post-tax return of 14%.*
>
> *..."*

The ATE, in its Judgment in Appeal No. 115 of 2008, ruled as following:

> *"So far as the question of income tax on the amount allowed as incentive is concerned, since income tax is payable on the amount there is no reason why the income tax liability should not be allowed to be recovered through the transmission tariff to be earned by the appellant. Accordingly, we have no hesitation to hold that the part of the incentive which is subjected to income tax shall pass through in tariff."*

In view of the above ATE Judgment, the Commission allows the tax on incentive claimed by RInfra-T for FY 2006-07 and FY 2007-08. The detailed submission of RInfra-T and the approval of the Commission in this respect are tabulated in the subsequent discussion on impact on Truing up of FY 2006-07 and Truing up of FY 2007-08 under this section of the Order.

4.4 Carrying cost on deferred payment

As regards carrying cost on the deferred payments claimed, RInfra-T invited the attention of the Commission to the Judgment of ATE in Appeal No. 117 of 2008 (Appeal filed by RInfra-D against Case No. 121 of 2008 of the Commission). RInfra-T submitted the following extract of the above said ATE Judgment pertaining to the ruling on carrying cost on deferred payment.

> *"As the MERC Regulations deploy the Short Term Prime Lending Rate of State Bank of India for working out interest on Working Capital there is no reason why the same yardstick is not used when it comes to applying interest rate on deferred payments. The licensee shall have to arrange the amount of deferred payment in the same way as the Working Capital. We, therefore, direct the Commission to allow Short Term Prime Lending Rate of SBI for deferred payments and incorporate the same while carrying out the truing up exercise for the year 2008-09."*

In view of the above, RInfra-T has computed and claimed the carrying cost on the deferred payments of FY 2006-07 and FY 2007-08 respectively, allowable to RInfra-T in the ATE Judgment in Appeal No. 115 of 2008.

In accordance with the ATE Judgment in Appeal No. 117 of 2008 in this regard, the Commission has considered the carrying cost to the extent of deferred payments allowed by the Commission for FY 2006-07 and FY 2007-08 in the current Order. The Commission has considered carrying cost for two years for the deferred payments allowed pertaining to truing up of FY 2006-07 and carrying cost for one year for the deferred payments allowed pertaining to truing up of 2007-08, based on the year of truing up of Revenue Requirement for the respective years. The detailed submission of RInfra-T and the approval of the Commission in this respect are tabulated in the subsequent discussion on impact on Truing up of FY 2006-07 and Truing up of FY 2007-08 under this section of the Order.

4.5 Depreciation on asset addition during the year

On the issue of depreciation on assets added during the year, RInfra-T submitted that ATE under the Judgment dated July 15, 2009 held that depreciation of assets added during the year also have to be allowed, in addition to depreciation on value of assets at the beginning of the year. However, RInfra-T also submitted that, as all assets commissioned during FY 2006-07, FY 2007-08 and FY 2008-09 are capitalized at the end of March of the respective financial years; no incremental depreciation for these years has been claimed in its Petition. However, for FY 2009-10 and beyond, incremental depreciation has been claimed in accordance with the estimated / projected date of capitalization.

Based on the ATE Judgment and on the basis of submissions made by RInfra-T, the Commission has considered the incremental depreciation claimed by RInfra-T from FY 2009-10 onwards, subject to the extent of asset capitalisation approved by the Commission for the respective years.

4.6 Summary of impact of ATE Judgments and Truing up of FY 2006-07

Based on the assessment of impact of ATE Judgments on the truing up of FY 2006-07, RInfra-T has worked out the additional allowance due to RInfra-T for FY 2006-07. RInfra-T further submitted that the impact has been included along with the carrying cost in its Petition as part of the ARR to be recovered in FY 2010-11. The summary of the impact of the ATE Judgments, as submitted by RInfra-T and as approved by the Commission in this Order is shown in the following Table:

Table: Summary of Recoverable amount in FY 2006-07 ***Rs Crore***

Particulars	**FY 2006-07**	
	RInfra-T	**Approved**
Efficiency gain on Interest on Working Capital	0.20	0.00
Carrying cost on above	0.09	0.00
Income tax @ 33.66% on transmission availability incentive of Rs 0.45 Crore	0.15	0.15
Carrying cost on the above	0.06	0.03
Total	**0.50**	**0.18**

4.7 Summary of impact of ATE Judgments and Truing up of FY 2007-08

RInfra-T, in its APR Petition, submitted that it has determined the additional allowance due to it over and above that approved by the Commission in truing up Order for FY 2007-08 (dated May 28, 2009) on the same principles as set forth by the ATE for FY 2006-07. RInfra-T further submitted that the impact has been included along with the carrying cost in its Petition as part of the ARR to be recovered in FY 2010-11. The summary of the impact of the ATE Judgments, as submitted by RInfra-T and as approved by the Commission in this Order is shown in the following Table:

Table: Summary of Recoverable amount in FY 2007-08 ***Rs Crore***

Particulars	FY 2007-08	
	RInfra-T	Approved
Efficiency gain on Interest on Working Capital	0.26	0.00
Carrying cost on above	0.09	0.00
Income tax @ 33.66% on transmission availability incentive of Rs 0.45 Crore	0.24	0.24
Carrying cost on the above	0.08	0.03
Total	**0.67**	**0.27**

5. PERFORMANCE REVIEW OF FY 2009-10 AND DETERMINATION OF REVENUE REQUIREMENT FOR FY 2010-11

5.1 Performance Parameters

Regulation 16.1 of the MERC (Terms and Conditions of Tariff) Regulations, 2005, stipulates,

> *"The Commission may stipulate a trajectory, which may cover one or more control periods, for certain variables having regard to the reorganization, restructuring and development of the electricity industry in the State.*
>
> *Provided that the variables for which a trajectory may be stipulated include, but are not limited to, generating station availability, station heat rate, transmission losses, distribution losses and collection efficiency."*

Regulation 49.1 of the MERC (Terms and Conditions of Tariff) Regulations, 2005, stipulates,

> *"Target availability for full recovery of annual transmission charges*
> *(a) AC system:- 98 per cent*
> *(b) HVDC bi-pole links and HVDC back-to-back stations:- 95 per cent"*

5.1.1 System Availability

RInfra-T has to maintain the system availability at the levels stipulated in the MERC Tariff Regulations in order to be eligible to recover the full fixed charges, i.e., ARR, as determined by the Commission. Any reduction in system availability will lead to pro-rata reduction in recovery of the ARR. The Commission will true-up the actual availability of RInfra-T's transmission system at the end of the year based on actuals, and the recovery of complete ARR will depend on the achievement of the normative availability levels.

In this context, the Commission directs RInfra-T to arrange for requisite certification from MSLDC for FY 2009-10 and FY 2010-11 based on appropriate procedure formulated by MSLDC to monitor and certify the Transmission System Availability of various transmission licensees on regular basis.

RInfra-T is entitled for incentive on transmission system availability greater than 98%, in accordance with the method of computation of the incentive as elaborated in Section 3, which will be determined for FY 2009-10 at the time of final true-up.

5.1.2 Transmission Loss

The Commission has considered the Intra-State Transmission System (InSTS) loss of 4.85% for FY 2009-10 and FY 2010-11, in accordance with the principles outlined in the Transmission Pricing Framework Order dated June 27, 2006 and Transmission Tariff Order dated September 29, 2006.

Interface metering (G< >T and T< >D) over the Intra-State Transmission System of which RInfra-Transmission system is a part, is approaching the stage of completion. As regards the status of ABT metering, MSETCL has submitted that installation of ABT meters in the Mumbai Region has already been completed. However, due to addition/augmentation of new transformer, new sub-stations, new generating units and also due to release of new EHV connections, there is a balance of 157 ABT meters and 48 communication links to be provided, which according to a recent submission made by MSETCL, was expected to be completed by July 31, 2010. The Commission has directed all transmission licensees to facilitate and co-operate with MSETCL to ensure that requisite special energy meters are put in place across all the interface points at the earliest. The energy accounting and ascertainment of transmission losses for Intra-State Transmission System as well as for various components/elements of the transmission system would be feasible only after establishment of such metering arrangement.

As per energy accounting undertaken by MSLDC under Interim Balancing and Settlement Mechanism (IBSM), the Intra-State Transmission losses have been assessed at 4.86% for FY 2008-09. Further, transmission loss for InSTS for FY 2009-10 and FY 2010-11 has been projected as 4.85%.

5.2 Provisional Truing-up for FY 2009-10

RInfra-T, in its APR Petition for FY 2009-10 and ARR Petition for FY 2010-11, submitted the performance for FY 2009-10 based on actual performance for the first half of the year, i.e., April to September 2009, and estimated performance for the second half of the year, i.e., October 2009 to March 2010. RInfra-T submitted the comparison of each element of expenditure and revenue with that approved by the Commission in its APR Order dated May

28, 2009 on RInfra-T's Petition for Annual Performance Review for FY 2008-09 and Aggregate Revenue Requirement for FY 2009-10.

RInfra-T, in its Petition, requested that the estimated revenue gap for FY 2009-10 be considered while revising the approved expenditure for FY 2010-11. . The Commission in this Order on APR for FY 2009-10 and determination of ARR for FY 2010-11 has considered provisional truing up of certain elements of the revenue requirement in cases where the impact is very high, or there is a change in principles/methodology, and due to revision in capital expenditure/capitalisation figures. The revised estimate of performance of RInfra-T during FY 2009-10 and projections for FY 2010-11 as compared to the Commission's MYT/APR Order for RInfra-T is discussed in the following paragraphs.

The Commission clarifies that the final truing up and the computation of sharing of gains and losses due to controllable factors will be undertaken only after the audited expenses and revenue are available. Further, for computing sharing of efficiency gains/losses for FY 2009-10, the revised expenses approved for FY 2009-10 in this Order under the provisional truing up exercise will be considered as base expenses.

5.3 O&M Expenses for FY 2009-10 and FY 2010-11

Operation and Maintenance (O&M) expenditure comprises of employee related expenditure, Administrative and General (A&G) expenditure, and Repair and Maintenance (R&M) expenditure. RInfra-T's submissions on each of these expenditure heads, and the Commission's ruling on the same are detailed below.

RInfra-T submitted that in order to forecast the expenses for FY 2010-11, it has considered escalation factors based on CPI (Consumer Price Index) and WPI (Wholesale Price Index). 5-year average rate of inflation has been used for this purpose. While CPI-Industrial Workers (CPI-W) was considered for forecasting Employee expenses, a 60:40 mix of CPI-IW and WPI was used for A&G expenses, and WPI was used for R&M expenses. RInfra-T submitted that the data for past five years inflation has been collected from Labour Bureau, Govt. of India website.

RInfra-T further submitted that based on the escalation factors considered, the average inflation rates come very close to 6% for all three combinations and therefore, RInfra-T has escalated all three components of O&M costs at the rate of 6% over FY 2009-10 estimates to arrive at FY 2010-11 projections.

In the previous APR Orders, the Commission had ruled that for FY 2009-10 and FY 2010-11, the O&M expenses allowed by the Commission for FY 2008-09 under the final truing up for FY 2008-09, after considering the base as audited expenses for FY 2006-07, will be considered as the base and increase will be allowed strictly as per the CPI/WPI growth as applicable.

5.3.1 Employee Expenses

RInfra-T submitted that the total employee expense for FY 2009-10 is estimated at Rs 8.86 Crore as against Rs 7.35 Crore approved by the Commission in the APR Order dated May 28, 2009. RInfra-T submitted that subsequent to the enactment of the EA 2003, RInfra-T has strengthened its Human Resources in terms of skills and proficiency to exceed consumer expectations and regulatory requirements. RInfra-T submitted that actual employee expenditure during H1 of FY 2009-10 is Rs. 4.33 Crore. However, the employee expenses are expected to increase on account of increase in number of employees during H2 of FY 2009-10. The numbers of employees are projected to increase from 162 in H1 to 191 in H2, wherein most of these employees would be recruited for executing various projects, present and future. RInfra, in its submission stated that due to unavailability of experienced candidates, fresh graduates are being recruited and considerable investment has to be made in terms of time and skill developments of these recruits who would then be fully utilised for future projects. Hence, as per RInfra-T's submission, the increase in expenses in H2 of FY 2009-10 includes the impact of the additional recruits and also the normal increase of other employees. The normal increase would result in an increase in Basic Salary, HRA, Conveyance allowance and Other allowance.

As regards employee expenses for FY 2010-11, RInfra-T stated that the estimated expenses of FY 2009-10 are escalated by the expected increase of 6% based on the composite CPI index to arrive at the employee expenses during FY 2010-11, which is estimated to be Rs. 9.39 Crore.

The Commission considers employee costs as controllable and does not accept RInfra-T’s contention. Therefore for FY 2009-10, for each sub-head of employee expenditure, the

Commission has considered an increase of around 6.35% on account of inflation factor corresponding to Consumer Price Index (CPI) over the revised level of employee expenses as approved for FY 2008-09 under the truing up exercise in this Order, except for sub-heads of leave encashment, medical reimbursement, bonus, pension and gratuity payments. RInfra-T's submission for figures under these sub-heads have been considered. The Commission has considered the point to point inflation over CPI numbers for Industrial Workers (as per Labour Bureau, Government of India) for a period of 5 years, i.e., FY 2004-05 to FY 2008-09 (upto March 2009), to smoothen the inflation curve. For FY 2009-10, the capitalisation of employee expenses have been considered as submitted by RInfra-T. The Commission will undertake the final truing up of employee expenses for FY 2009-10 based on actual employee expenses for the entire year subject to prudence check.

For FY 2010-11, for each sub-head of employee expenditure, the Commission has considered an increase on account of inflation rate of around 8.49% p.a. over the revised level of employee expenses as approved for FY 2009-10 under the provisional truing up exercise in this Order, based on the increase in CPI, with the same treatment for certain sub-heads as elaborated earlier. For FY 2010-11, the Commission has considered the point to point inflation over CPI numbers for Industrial Workers (as per Labour Bureau, Government of India) for a period of 5 years, starting from FY 2005-06 to FY 2009-10 (upto March 2010), to smoothen the inflation curve. The capitalisation of employee expenses has been considered as submitted by RInfra-T.

Accordingly, the approved employee expenses for FY 2009-10 and FY 2010-11 is summarised in the following Table:

Table: Approved Employee Expenses for FY 2009-10 and FY 2010-11 ***(Rs. Crore)***

Particulars	**FY 2009-10**			**FY 2010-11**	
	APR Order	**Revised Estimate**	**Approved After provisional truing up**	**Estimate**	**Approved**
Gross Employee Expenses	8.33	12.91	11.83	13.69	12.82
Less: Expenses capitalized	(0.98)	(4.05)	(4.05)	(4.29)	(4.29)
Net Employee Expenses	7.35	8.86	7.78	9.39	8.53

5.3.2 A&G Expenses

RInfra-T submitted that the total A&G expense for FY 2009-10 is estimated at Rs 3.36 Crore, as against Rs.2.37 Crore approved by the Commission in the APR Order. RInfra, submitted the reasons for the increase in the A&G expense for FY 2009-10 against the approved A&G expense for FY 2009-10 as under:

- Increase in security charges due to enhanced security provided to protect the transmission assets at Aarey, Ghodbunder and Versova, following intimation from the Mumbai Police in July 2009 regarding the increased security threat to vital installations of RInfra.
- Re-grouping of certain heads of A&G expenses is another important reason for increase in these expenses. Some of the expenses related to transmission were being booked under distribution business earlier, due to locational and legacy reasons. With the implementation of a more systemic approach to identification, analysis and charging of expenses within the whole of RInfra, these expenses have been identified and charged appropriately to RInfra-T. There has been an increase in the telephone and communication expenses as well as property taxes due to the regrouping.
- Provision has been made for expenses pertaining to Legal charges (petition charges), technical fees (Integrated Management System certification charges) and advertisement (safety awareness for consumers against flying kites near the transmission lines to prevent electric shock and to prevent undesirable tripping and off-supply to consumers of Mumbai).

For estimation of A&G expenses for FY 2010-11, RInfra-T has considered an escalation factor of 6% (based on composite CPI-WPI index) over the expenses of FY 2009-10 and accordingly, A&G expense for FY 2010-11 were estimated as Rs. 3.56 Crore.

RInfra-T submitted the copy of the letter of intimation from Mumbai Police on beefing up of security at transmission establishments of RInfra-T, when the same was sought by the Commission. Further, in response to a query raised by the Commission, regarding the basis for estimating miscellaneous expenses as Rs 0.11 Crore and Rs.0.12 Crore for FY 2009-10 and FY 2010-11, respectively, RInfra-T submitted the breakup of such expenses estimated for FY 2009-10 and further submitted that the estimates for FY 2010-11 are based on 6% escalation over FY 2009-10 values.

RInfra-T was asked to submit the A&G expense for FY 2009-10 and FY 2010-11 by classifying the heads of A&G expense into recurring and non-recurring items. In response to the same, RInfra-T submitted that all components of A&G expenses for FY 2009-10 are recurring on an annual basis, except for the technical fees payable for obtaining IMS (Integrated Management System) certification. However, after getting the certificate, RInfra-T would be subject to half yearly audit to be conducted by BVQI (Bureau Veritas Quality of India). The charges for such audit would form part of the A&G expense on an ongoing basis. As regards A&G expenses of FY 2010-11, RInfra-T submitted that as FY 2010-11 expenses are only escalated at the rate 6% over FY 2009-10 level, FY 2010-11 projection will also contain only expenses, which are recurring in nature.

For FY 2009-10, the Commission has considered an increase of around 5.48% on account of inflation over the revised level of A&G expenses as approved for FY 2008-09 in this Order, based on the increase in Wholesale Price Index (WPI) and Consumer Price Index (CPI). The Commission has considered the point to point inflation over WPI numbers (as per Office of Economic Advisor of Govt. of India) and CPI numbers for Industrial Workers (as per Labour Bureau, Government of India) for a period of 5 years, i.e., FY 2004-05 to FY 2008-09 (upto March 2009), to smoothen the inflation curve. The Commission has considered a weight of 60% to WPI and 40% to CPI, based on the expected relationship with the cost drivers. The Commission will undertake the final truing up of A&G expenses for FY 2009-10 based on actual A&G expenses for the entire year subject to prudence check.

For FY 2010-11, for each sub-head of employee expenditure, the Commission has considered an increase on account of inflation rate of around 7.02% p.a. over the revised level of A&G expenses as approved for FY 2009-10 under the provisional truing up exercise in this Order, based on the increase in CPI and WPI. For FY 2010-11, the Commission has considered the point to point inflation over CPI for Industrial Workers and WPI numbers for a period of 5 years, starting from FY 2005-06 to FY 2009-10 (upto March 2010), to smoothen the inflation curve. Accordingly, the approved A&G expenses for FY 2009-10 and FY 2010-11 is summarised in the following Table:

Table: Approved A&G Expenses for FY 2009-10 and FY 2010-11 (Rs. Crore)

Particulars	**FY 2009-10**	**FY 2010-11**

	APR Order	Revised Estimate	Approved After provisional truing up	Estimate	Approved
Net A&G Expense	2.37	3.36	2.64	3.56	2.83

5.3.3 R&M Expenses

RInfra-T submitted that the total R&M expenses for FY 2009-10 is estimated at Rs 3.43 Crore against Rs 2.97 Crore approved by the Commission in the APR Order. RInfra-T submitted that R&M expenses are required to maintain the system in healthy condition by carrying out prescribed preventive maintenance and attending breakdowns. During H1 of FY 2009-10, RInfra-T has incurred expenditure of Rs. 0.92 Crore against R&M activities and the expenses are estimated to be Rs. 2.51 Crore during H2 of FY 2009-10. The increase in R&M expenses is on account of installation of the additional insulators connecting to main buses, which involved laying of the cables through switchyards and therefore, resulted in major excavation activities carried out in the switchyard. In addition, RInfra stated that due to peak load in H1 of FY 2009-10, transformer maintenance activities were carried out in H2 of FY 2009-10, which also resulted in increase of A&G expenses.

RInfra-T submitted that for FY 2010-11, an escalation of 6% (based on composite CPI-WPI index) has been considered over the R&M expenses projected for FY 2009-10. Hence, the R&M expenses for FY2010-11 are projected to be Rs. 3.64 Crore.

For FY 2009-10, the Commission has considered an increase of around 4.91% on account of inflation over the revised level of R&M expenses as approved for FY 2008-09 in this Order, based on the increase in Wholesale Price Index (WPI). The Commission has considered the point to point inflation over WPI numbers (as per Office of Economic Advisor of Govt. of India) for a period of 5 years, i.e., FY 2004-05 to FY 2008-09 (upto March 2009), to smoothen the inflation curve. The Commission will undertake the final truing up of R&M expenses for FY 2009-10 based on actual R&M expenses for the entire year subject to prudence check.

For FY 2010-11, for each sub-head of employee expenditure, the Commission has considered an increase on account of inflation rate of around 6.05% p.a. over the revised level of R&M expenses as approved for FY 2009-10 under the provisional truing up exercise in this Order, based on the increase in WPI. For FY 2010-11, the Commission has considered the point to point inflation over WPI numbers for a period of 5 years, starting from FY 2005-06 to FY 2009-10 (upto March 2010), to smoothen the inflation curve. Accordingly, the approved R&M expenses for FY 2009-10 and FY 2010-11 is summarised in the following Table:

Table: Approved R&M Expenses for FY 2009-10 and FY 2010-11 (Rs. Crore)

Particulars	FY 2009-10			FY 2010-11	
	APR Order	Revised Estimate	Approved After provisional truing up	Estimate	Approved
Net R&M Expenses	2.97	3.43	3.40	3.64	3.60

5.4 Capital Expenditure and Capitalisation

Variation between approved and actual values of capital expenditure and capitalisation significantly influences computation of various critical expense heads such as depreciation, interest on long term debt, and return on equity.

RInfra-T, in its Petition, submitted that it has incurred a capital expenditure of Rs 23.91 Crore during H1 of FY 2009-10. During this period, the works capitalized amounted to Rs. 6.13 Crore. RInfra-T has estimated fresh capital expenditure of Rs 103.71 Crore during H2 of FY 2009-10, based on the estimates of the DPR and non-DPR schemes. RInfra-T submitted that works amounting to Rs 35.28 Crore would be capitalised during FY 2009-10, as against the total capital expenditure of Rs. 127.62 Crore.

For FY 2010-11, RInfra-T projected a capital expenditure of Rs. 454.29 Crore against various schemes granted in-principle approval by the Commission and other Non-DPR schemes. Total capitalization during FY 2010-11 is projected to be Rs. 258.99 Crore.

RInfra-T submitted the following table in its current Petition depicting the capital expenditure and capitalisation of DPR and Non-DPR schemes for FY 2009-10 and FY 2010-11.

Table: Capital expenditure and Capitalisation during FY 2009-10 and FY 2010-11 (submitted by RInfra-T) (Rs Crore)

Particulars		FY 2009-10		FY 2010-11
		Estimated	APR Order	Estimated

Capital Expenditure	DPR	119.63		446.76
	Non-DPR	7.99		7.53
	Total	**127.62**		**454.29**
Capitalisation	DPR	32.89		250.98
	Non-DPR	8.51		8.01
	Total	**41.40**	**28.62**	**258.99**

RInfra-T, in its Petition, pointed out the sea change that is likely to happen in the capital investment scenario by RInfra-T before and after FY 2007-08. RInfra-T attributed the following two major reasons for the expected increase in capital expenditure and capitalisation, post FY 2007-08.

- Since 1996, there has been no significant addition of the EHV station/ MVA Capacity or the Transmission Corridor/ Connectivity. However, the consumer base and consumer demand at the Distribution base has been increasing geometrically. During such growth phase, the Transmission sector was required to keep pace with such growing demand and required to undertake enhancement of its own infrastructure for creating the corridors for bringing in power to cater to the power requirement of Distribution Utility.
- Mumbai City has an environment of high humidity and salinity level due to which, the existing Transmission System is facing rapid deterioration. The situation demands frequent maintenance work compelling frequent system outages. It has resulted in overloading of the existing Transmission Network and non-clearance of past backlogs making it difficult to fulfill Clause 9.2 and 9.6 of Grid Code that demands creation of system redundancy.

Subsequently, based on various technical and financial assumptions, RInfra-T has estimated a requirement of MVA enhancement to the extent of 14094 MVA in the RInfra-T network by FY 2014-15, with an associated cost of Rs 6201.36 Crore.

As regards execution of capital expenditure schemes, RInfra-T highlighted that there have been various hurdles occurring at various stages of execution, which delays the timely completion of the capex schemes. Some of the hurdles mentioned in the Petition were numerous compliances and clearances to be achieved, permission for exploiting mangrove areas to set up power infrastructure, land related issues, tree cutting issues, and non availability of sufficient EHV GIS equipment manufacturers and trained manpower in India.

RInfra-T submitted the following table showing the major capital expenditure schemes during FY 2009-10 and FY 2010-11:

On-going Capex Schemes – FY 2009-10	On-going Capex Schemes – FY 2010-11
▪ Installation of 5th 220/33kV 125MVA Transformer at Aarey EHV station and is commissioned ▪ Installation of 4th 220/33kV 125MVA Transformer at Ghodbunder EHV station and is commissioned ▪ 33kV 13panels GIS boards at Aarey, Versova, Ghodbunder and is commissioned ▪ Installation of 5th 220/33kV 125MVA Transformer at Versova EHV station and is commissioned **<u>Work-in-progress</u>** ▪ Installation of 220kV GIS EHV Schemes at Chembur ▪ 220kV GIS at Saki EHV Schemes ▪ 220 kV Borivali Receiving Schemes ▪ 220 kV EHV Schemes at Goregaon ▪ 220kV Dahisar Housing EHV Schemes ▪ 220kV Gorai EHV Schemes ▪ 220kV Nagari Niwara EHV Schemes ▪ Refurbishment of 220kV Transmission lines ▪ Security Improvement – Civil Works ▪ Non DPR Schemes	▪ Land for 220kV EHV stations ▪ HVDC–IGBT (Aarey – MSETCL Nagothane) Connectivity ▪ 220kV Airport EHV station ▪ LILO existing MSETCL Boisar- Borivali 220kV line at Ghodbunder EHV station ▪ T & P procurement. ▪ Non DPR Schemes **<u>Continuation of FY 2009-10 schemes</u>** ▪ Installation of 220kV GIS EHV Station at Chembur ▪ 220kV GIS at Saki EHV Schemes ▪ 220 kV Borivali Receiving Schemes ▪ 220 kV EHV Schemes at Goregaon ▪ 220kV Dahisar Housing EHV Schemes ▪ 220kV Gorai EHV Schemes ▪ 220kV Nagari Niwara EHV Schemes

The Commission, under its APR Order for FY 2008-09, had approved capitalisation of Rs. 28.62 Crore for FY 2009-10. Under its MYT Order, the Commission had approved capitalisation of Rs. 0.5 Crore for FY 2009-10. Against this, RInfra-T has projected revised estimate of capitalisation of Rs. 41.40 Crore for FY 2009-10 and Rs. 258.99 Crore for FY 2010-11.

In reply to the clarification sought by the Commission on estimation of high capitalisation amount for H2 of FY 2009-10 vis-a-vis the low capitalisation amount for H1 of FY 2009-10, RInfra-T submitted that the capitalisation of H1 of FY 2009-10 was less as compared to H2 of FY 2009-10 because statutory clearances for the execution of the project was under process during H1 and these clearances were obtained subsequently. Moreover, R-Infra-T submitted that high capitalisation of H2 of FY 2009-10 had a consequential impact on the capitalisation of FY 2010-11 as well and therefore, the projected capitalisation amount for FY 2010-11 was also higher. Further, in reply to another query raised by the Commission, RInfra-T also provided the status in terms of Order Placement of the capex schemes for FY 2009-10 and FY 2010-11.

For the purpose of APR exercise for FY 2009-10 and projection for FY 2010-11, the Commission has considered capital expenditure and capitalisation of the DPR schemes that have already been approved by the Commission.

As regards non-DPR schemes, the Commission had issued a direction in this respect in the previous APR Order, restricting the capitalisation of such schemes to 20% of the capitalisation of DPR schemes during the year. The relevant extract of the Order is reproduced as under.

> *"In view of the above, as a general rule, the Commission has decided that the total capital expenditure and **capitalisation on non-DPR schemes in any year should not exceed 20% of that for DPR schemes during that year**. To achieve the purpose, the purported non-DPR schemes should be packaged into larger schemes by combining similar or related non-DPR schemes together and converted to DPR schemes, so that the in-principle approval of the Commission can be sought in accordance with the guidelines specified by the Commission." (**Emphasis added**)*

Accordingly, the approved capitalisation for FY 2009-10 and FY 2010-11 is summarised in the following Table:

Table: Capitalisation as approved by Commission for FY 2009-10 & FY 2010-11
(Rs. Crore)

Particulars	FY 2009-10			FY 2010-11	
	APR Order	Revised Estimate	Approved After provisional truing up	Estimate	Approved

Particulars	FY 2009-10			FY 2010-11	
	APR Order	Revised Estimate	Approved After provisional truing up	Estimate	Approved
Capitalisation	28.62	41.40	41.40	258.99	258.99

5.5 Depreciation

The Commission, in its APR Order, had permitted depreciation to the extent of Rs. 9.89 Crore for FY 2009-10, which amounts to 2.82% of Opening level of Gross Fixed Assets (GFA) of RInfra-T. RInfra-T submitted that the depreciation for FY 2009-10 and FY 2010-11 has been computed based on the opening GFA and also on the assets added in H1 and H2 of FY 2009-10 and FY 2010-11, respectively. RInfra-T further submitted that for assets added during H1 of FY 2009-10, the depreciation has been calculated on a pro-rata basis based on the date of capitalization, which amounts to Rs. 4.94 crore (on opening GFA as well as addition). For H2 of FY 2009-10, the assets have been assumed to be added during the middle of the year (in order to arrive at a mid-point, in this case being December end) for calculation. The depreciation for H2 amounts to Rs. 5.15 crore (on opening GFA as well as addition). Thus, RInfra-T has claimed a total depreciation of 10.09 Crore for FY 2009-10.

For FY 2010-11, depreciation has been calculated by RInfra-T based on the Opening GFA and assets added during the year. The assets have been assumed to be added during the middle of the year (in order to arrive at a mid-point, in this case being September end) for calculation. The total depreciation for FY 2010-11 claimed by RInfra-T amounts to Rs. 15.66 Crore.

RInfra-T stated that, depreciation for certain assets has reached 90%, on which depreciation has not been claimed. There are certain assets on which depreciation has been claimed to the extent they have attained 90% of the asset value. RInfra further confirmed that depreciation has not been claimed beyond 90% of the asset value.

RInfra-T's projection of depreciation expenses for FY 2009-10 and FY 2010-11 is given in the Table below:

Table: Depreciation Expenses projected by RInfra-T (Rs Crore)

Particulars	**FY 2009-10**		**FY 2010-11**
	APR Order	**Revised Estimate**	**Estimate**
Depreciation	9.89	10.09	15.66
Opening Gross Fixed Assets	350.43	403.43	444.43
Closing Gross Fixed Assets	NA	444.83	703.82
Depreciation as % of Avg. of Op. GFA and Cl. GFA	NA	2.38%	2.38%

In view of capitalisation as estimated under previous paragraphs for FY 2009-10 and as approved for FY 2010-11, the depreciation expenditure as estimated by the Commission for FY 2009-10 and approved for FY 2010-11 considering the depreciation on opening GFA and assets added during the year, is summarised in the following Table:

Table: Depreciation as approved by the Commission (Rs Crore)

Particulars	**FY 2009-10**			**FY 2010-11**	
	APR Order	**Revised Estimate**	**Approved After provisional truing up**	**Estimate**	**Approved**
Depreciation	9.89	10.09	10.09	15.66	15.66
Opening Gross Fixed Assets	350.43	403.33	403.33	444.83	444.83
Closing Gross Fixed Assets	NA	444.83	444.83	703.82	703.82
Depreciation as % of Avg. of Op. GFA and Cl. GFA	NA	2.38%	2.38%	2.73%	2.73%

The Commission will undertake the final truing up of depreciation based on actual capitalisation during the entire year subject to prudence check.

5.6 Interest Expenses

The Commission, in its APR Order for FY 2008-09, had permitted interest expense of Rs 4.33 Crore for FY 2009-10 and Rs 1.68 Crore for FY 2009-10 in the MYT Order. Loan addition of Rs 20.03 Crore was considered for FY 2009-10 in the previous APR Order corresponding to 70% of the capitalised asset cost during the year.

RInfra-T, in its APR Petition, submitted the estimate for interest expenses for FY 2009-10 and FY 2010-11 as Rs 7.82 Crore and Rs 16.50 Crore, respectively, as shown in the Table below:

Table: Long-term Interest Expenses projected by RInfra-T (Rs Crore)

Particulars	FY 2009-10		FY 2010-11
	APR Order	Revised Estimate	Estimate
Op. Balance	39.89	75.03	99.51
Additions	20.03	28.98	181.29
Repayments	(3.53)	(4.49)	(5.94)
Cl. Balance	56.39	99.51	273.42
Interest	4.33	7.82	16.50
Overall Interest Rate	9.00%	8.96%	8.89%

RInfra-T submitted that a normative interest rate of 10% per annum has been considered towards interest expenses for projects initiated during FY 2004-05 and FY 2005-06. A normative interest rate of 8% per annum has been considered towards the interest expenses pertaining to the capitalization of assets during FY 2006-07 and FY 2007-08, as allowed by the Commission. For FY 2009-10, the Commission has considered interest rate of 9% in the order dated May 28, 2009 and accordingly RInfra-T has considered the same for interest computation for FY 2009-10 and FY 2010-11.

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 FY 2008-09, 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. Accordingly, approved interest expenses for FY 2009-10 and FY 2010-11 is summarised in the following Table:

Table: Approved Long-term Interest Expenses (Rs Crore)

Particulars	FY 2009-10			FY 2010-11	
	APR Order	Revised Estimate	Approved After provisional truing up	Estimate	Approved
Op. Balance	39.89	75.03	75.14	99.51	98.28

Particulars	FY 2009-10			FY 2010-11	
	APR Order	Revised Estimate	Approved After provisional truing up	Estimate	Approved
Additions	20.03	28.98	28.98	181.29	181.29
Repayments	(3.53)	(4.49)	(5.83)	(5.94)	(14.90)
Cl. Balance	56.39	99.51	98.28	273.42	264.68
Interest	4.33	7.82	7.80	16.50	16.33
Overall Interest Rate	9.00%	8.96%	9.00%	9.00%	9.00%

5.7 Interest on Working Capital for FY 2009-10 and FY 2010-11

For FY 2009-10, RInfra-T estimated the Interest on Working Capital (IWC) considering interest rate @ 13.00% as per the components considered in the MERC Tariff Regulations, with the revised IWC estimated at Rs 1.17 Crore as against Rs 1.11 Crore approved by the Commission. For FY 2010-11, RInfra-T estimated the interest on working capital, considering interest rate as 11.75%, as Rs. 1.06 Crore.

The Commission has estimated the working capital requirement of RInfra-T for FY 2009-10 after considering the provisional truing up of various expenditure heads. The MERC Tariff Regulations stipulate that the rate of interest on working capital shall be on normative basis and shall be equal to the short-term Prime Lending Rate of State Bank of India as on the date on which the application for determination of tariff is made. As the application for determination of tariff for FY 2009-10 was made on December 10, 2008, the Commission has considered the short-term Prime Lending Rate of State Bank of India of 13.00% prevalent at that time for estimating the interest on working capital.

For FY 2010-11, the Commission has estimated the working capital requirement of RInfra-T after considering the revised expenditure approved in this Order. The Commission has considered the interest rate as 11.75% in accordance with the short-term Prime Lending Rate of State Bank of India prevalent at the time of filing the APR Petition for FY 2009-10, viz., December 23, 2009. The revised interest on working capital for RInfra-T for FY 2009-10 and FY 2010-11, is given in the following Table:

Table: Interest on Working Capital for FY 2009-10 and FY 2010-11 (Rs Crore)

Particulars	FY 2009-10	FY 2010-11

	APR Order	Revised Estimate	Approved After provisional truing up	Estimate	Approved
Interest on Working Capital	1.11	1.17	1.15	1.06	1.33

5.8 Contribution to Contingency Reserves for FY 2008-09 and FY 2009-10

RInfra-T submitted that the contribution to contingency reserves for FY 2009-10 and FY 2010-11 has been computed at 0.25% of opening GFA in accordance with the Commission's Tariff Regulations. For FY 2009-10 the same was estimated to be Rs. 1.01 Crore, as against Rs. 0.88 Crore approved by the Commission in the APR Order. For FY 2010-11, RInfra-T estimated the contribution towards contingency reserve to be Rs.1.11 Crore.

In this regard, the MERC (Terms and Conditions of Tariff) Regulations, 2005 stipulates,

"50.7.1 Where the Transmission Licensee has made an appropriation to the Contingencies Reserve, a sum not less than 0.25 per cent and not more than 0.5 per cent of the original cost of fixed assets shall be allowed towards such appropriation in the calculation of aggregate revenue requirement:

Provided that where the amount of such Contingencies Reserves exceeds five (5) per cent of the original cost of fixed assets, no such appropriation shall be allowed which would have the effect of increasing the reserve beyond the said maximum:

Provided further that the amount so appropriated shall be invested in securities authorized under the Indian T rusts Act, 1882 within a period of six months of the close of the financial year."

The Commission has verified that the contingency reserves of RInfra-T do not exceed 5% of the original cost of fixed assets. Accordingly, the Commission has approved the contribution to contingency reserves at 0.25% of opening GFA as Rs. 1.01 Crore and Rs. 1.11 Crore for FY 2009-10 and FY 2010-11, respectively.

5.9 Return on Equity (RoE)

The Commission had allowed return on equity to the extent of Rs 21.10 Crore for FY 2009-10 in its APR Order for FY 2008-09, and Rs 19.27 Crore for FY 2009-10 in the MYT Order, considering rate of return of 14% during respective years. RInfra-T, in its APR Petition, submitted the revised estimate of return on equity for FY 2009-10 and projections for FY 2010-11 as Rs 23.59 Crore and Rs 29.90 Crore, respectively. RInfra-T submitted that the increase in ROE for FY 2010-11 over FY 2009-10 was on account of infusion of equity, corresponding to 30% of capitalised assets, for the capex schemes proposed to be undertaken for FY 2010-11.

In view of capitalisation as approved by the Commission in this Order, the Commission has computed the RoE for FY 2009-10 and FY 2010-11 on the opening balance of equity and 50% of the equity portion of the asset value capitalised during the year, in accordance with the MERC Tariff Regulations as applicable for the transmission business. Further, it should be noted that RInfra-T, as well as other Utilities, have been proposing asset replacement schemes with certain cost-benefit analysis, which have been approved by the Commission in the past, and such replacement schemes have been implemented by the Utilities. However, the impact of the replacement of the asset has not been clearly shown by the Utilities in terms of reduction in GFA, outstanding loan, if any, accumulated depreciation, as well as equity contribution, to the extent of the old asset that has been replaced. This needs to be done, as the old asset is no longer part of the books of accounts, and all the related components that have a bearing on the tariff also need to be modified correspondingly, since the new asset gets added to the asset base as well as equity base in its entirety. Not deducting all these components of the replaced asset leads to double-accounting of the assets and the related revenue expenses. Hence, the Commission directs RInfra-T to submit all the relevant details in this regard for all years from FY 2005-06 onwards and to ensure that the impact of such asset replacement is passed on in the desired manner to the consumers, which will be considered by the Commission in the next Order.

The RoE as projected by RInfra-T and approved by the Commission for FY 2009-10 and FY 2010-11 is summarised in the following Table:

Table: Return on Equity as approved by the Commission ***(Rs Crore)***

Particulars	FY 2009-10			FY 2010-11	
	APR Order	Revised Estimate	Approved After provisional truing up	Estimate	Approved
Reg. Equity at beginning of year	146.39	162.29	162.29	174.71	174.71

Particulars	FY 2009-10			FY 2010-11	
	APR Order	Revised Estimate	Approved After provisional truing up	Estimate	Approved
Equity Portion of Capital Expenditure	8.58	12.42	12.42	77.70	77.70
Reg. Equity at the end of the year	154.98	174.71	174.71	252.41	252.41
Return on Reg. Equity at beginning of year	20.49	22.72	22.72	24.46	24.46
Return on Equity Portion of Capital Expenditure Capitalised	0.60	0.87	0.87	5.44	5.44
Total Return on Regulated Equity	21.10	23.59	23.59	29.90	29.90

5.10 Income Tax for FY 2009-10 and FY 2010-11

RInfra-T submitted that for FY 2009-10 and FY 2010-11, the income tax has been estimated at the prevalent corporate tax rate of 33.99%. Accordingly, the income tax for FY 2009-10 is estimated at Rs 7.15 Crore as against the income tax of Rs. 7.24 Crore considered by the Commission for FY 2009-10 in its APR Order for FY 2008-09. For FY 2010-11, the income tax has been computed by RInfra-T as Rs.4.99 Crore based on the aforementioned philosophy.

The Commission enquired whether MAT credit, if any, has been considered for computation of the Income Tax to which RInfra-T responded that no MAT benefit has been availed.

The income tax computation as submitted by RInfra-T is given below:

Table: Income Tax (submitted by RInfra-T) ***(Rs Crore)***

Particulars	FY 2009-10			FY 2010-11
	MYT Order	APR Order	Revised Estimate	Estimate
Profit Before Tax/Regulated Return on Equity		21.10	23.59	29.90
Add: Depreciation as per APR		9.89	10.09	15.66
Less: Depreciation as per Income Tax		(14.03)	(21.62)	(48.43)
Add: Normative Interest on Long Term Loan		4.33	7.82	16.50
Add: Normative Interest on Working Capital		-	1.17	1.06
Total		**21.29**	**21.04**	**14.69**
Income Tax on Total Profit	**4.53**	**7.24**	**7.15**	**4.99**

However, RInfra-T contented that Income tax on ROE should be permitted after grossing up the ROE by Tax Rate, and submitted the computation of the same as a separate scenario in the Petition. The same is reproduced as under.

Table: Income Tax after grossing up ROE (submitted by RInfra-T)

(Rs Crore)

Sl.	Particulars	FY 2009-10	FY 2010-11
1	Profit Before Tax/Regulated Return on Equity	23.59	29.90
	Income Tax	33.99%	33.99%
	Grossed up ROE	35.74	45.29
2	Add: Depreciation as per APR	10.09	15.66
3	Less: Depreciation as per Income Tax	(21.62)	(48.43)
4	Add: Normative Interest on Long Term Loan	7.82	16.50
5	Add: Normative Interest on Working Capital	1.17	1.06
6	**Total**	**33.19**	**30.09**
7	**Income Tax on Total Profit**	**11.28**	**10.23**

RInfra-T submitted that, if the aforesaid computation is considered, the ARR of FY 2009-10 and FY 2010-11 would stand increased by Rs. 4.13 Crore (Rs 11.28 Crore-Rs 7.15 Crore) and Rs 5.24 Crore (Rs 10.23 Crore-Rs 4.99 Crore), respectively.

For the purpose of income tax computations, the Commission has considered the same approach, which it has followed in the previous APR Order. While normative interest on long-term loans has been added to the RoE while computing the Income Tax for FY 2009-10 and FY 2010-11, the normative interest on working capital loan has not been added to the RoE, since it is not possible to project the exact actual interest expense that will be incurred by RInfra-T. Depending on the actual interest on working capital incurred by RInfra-T, only the difference between the normative interest and actual interest, and that too, only if the actual interest is lower than the normative interest on working capital, will have to be added to the RoE, for computing the Income Tax. Hence, this can be considered at the time of final truing up. Further, the Commission has not grossed up such RoE component for income tax, since the income tax is allowed as part of the ARR as an expense head, in accordance with the MERC Tariff Regulations. For computation of tax in FY 2010-11, the Commission has considered the tax rate of 33.22% [30% (base tax rate) + 7.5% (Surcharge) + 3% (Education Cess] as revised by the Ministry of Finance for FY 2010-11.

The summary of income tax approved by the Commission in this APR Order for FY 2009-10 and FY 2010-11 is shown in the Table below.

Table: Income Tax approved by the Commission for RInfra-T ***(Rs Crore)***

Sl. No.	Particulars	FY 2009-10	FY 2010-11
1	Profit Before Tax/Regulated Return on Equity	23.59	29.90
2	Add: Depreciation as per APR	10.09	15.66
3	Less: Depreciation as per Income Tax	(21.62)	(48.43)
4	Add: Normative Interest on Long Term Loan	7.80	16.33
5	Add: Normative Interest on Working Capital	-	-
6	**Total**	**19.86**	**13.45**
7	Tax Rate	33.99%	33.22%
8	**Income Tax on Total Profit**	**6.75**	**4.47**

Accordingly, the approved income tax liability for FY 2009-10 and FY 2010-11 along with the revised estimates by RInfra-T is given in the following Table. The Commission will however, true up the income tax, based on final truing up of revenue and expenditure of RInfra-T for FY 2009-10 and FY 2010-11.

Table: Income Tax for FY 2009-10 and FY 2010-11 ***(Rs Crore)***

Particulars	**FY 2009-10**			**FY 2010-11**	
	APR Order	**Revised Estimate by RInfra-T**	**Approved After provisional truing up**	**Estimate by RInfra-T**	**Approved**
Income Tax	**7.24**	**7.15**	**6.75**	**4.99**	**4.47**

5.11 Non-Tariff Income for FY 2008-09 and FY 2009-10

RInfra-T submitted that the Non-Tariff Income for FY 2009-10 is estimated at Rs 0.30 Crore, as against Rs 0.25 Crore approved by the Commission in the APR Order for FY 2008-09. RInfra-T estimated non-tariff income as Rs. 0.36 Crore for FY 2010-11. RInfra submitted that the increase in the Non Tariff Income for FY 2010-11 as against Non Tariff Income for FY 2009-10 is on account of increase in the interest income from contingency reserves.

The Commission has accepted RInfra-T's revised projections of Non-Tariff Income, and will undertake the truing up of Non Tariff Income based on audited accounts. The non-tariff income projected for RInfra-T for FY 2009-10 and FY 2010-11 and approved by the Commission is given in the following Table:

Table: Non-tariff Income for FY 2009-10 and FY 2010-11 (Rs Crore)

Particulars	FY 2009-10			FY 2010-11	
	APR Order	Revised Estimate	Approved After provisional truing up	Estimate	Approved
Non-Tariff Income	**0.25**	**0.30**	**0.30**	**0.36**	**0.36**

5.12 Aggregate Revenue Requirement of RInfra-T for FY 2009-10 and FY 2010-11

Based on analysis of each element discussed above, the Aggregate Revenue Requirement of RInfra-T for FY 2009-10 as approved by the Commission in its APR Order for FY 2008-09, as estimated by RInfra-T in the APR Petition and as approved by the Commission in this Order is given in the following Table:

Table: Aggregate Revenue Requirement for FY 2009-10 (Rs Crore)

Sl.	Particulars	APR Order	Revised Estimate	Approved after Provisional truing up
(1)	(2)	(3)	(4)	(5)
A	**Expenditure**			
1	Operation & Maintenance Expenses	12.69	15.65	13.83
1.1	*Employee Expenses*	7.35	8.86	7.78
1.2	*Administration & General Expenses*	2.37	3.36	2.64
1.3	*Repair & Maintenance Expenses*	2.97	3.43	3.40
2	Depreciation, including advance against depreciation	9.89	10.09	10.09
3	Interest on Long-term Loan Capital	4.33	7.82	7.80
4	Interest on Working Capital	1.11	1.17	1.15
5	Other Expenses	-	-	-
6	Income Tax	7.24	7.15	6.75
7	Contribution to contingency reserves	0.88	1.01	1.01
	Total Expenditure	**36.13**	**42.88**	**40.62**
B	**Return on Equity**	**21.10**	**23.59**	**23.59**
C	**Aggregate Revenue Requirement**	**57.22**	**66.47**	**64.21**
8	Add: Incentive for higher availability in FY 2007-08	0.71	0.71	0.71
9	Add: Revenue Gap/(surplus) for FY 2008-09	(0.67)	1.54	1.91
10	Less: Non-tariff Income	0.25	0.30	0.30
D	**Aggregate Revenue Requirement from Transmission Tariff**	**57.02**	**68.43**	**66.54**
E	**Tariff Income**	**57.02**	**58.82**	**58.82**
F	**Provisional Revenue Gap/ (Surplus)**	**0.00**	**9.61**	**7.72**

Based on provisional truing up of various elements for FY 2009-10 as discussed in above paragraphs, the Aggregate Revenue Requirement for FY 2009-10 works out to Rs 66.54 Crore including revenue gap of FY 2008-09, incentive for FY 2007-08 and non-tariff income for FY 2008-09 as against the amount of Rs 57.02 Crore approved in the APR Order.

As against the approved revenue requirement of Rs 65.50 Crore upon provisional true-up for FY 2009-10, the approved revenue for FY 2009-10 amounts to Rs 58.82 Crore. During FY 2009-10, the approved transmission tariff for FY 2009-10 was applicable for 10 months (June 2009 to March 2010) whereas approved transmission tariff for FY 2008-09 was applicable for 2 months (April and May 2009). Hence, revenue from transmission tariff during FY 2008-

09 was Rs 58.82 Crore. Thus, there is a revenue gap of Rs 7.72 Crore during FY 2009-10, which needs to be trued up provisionally, along with determination of ARR for FY 2010-11. The Aggregate Revenue Requirement for FY 2010-11, as shown below:

Table: Aggregate Revenue Requirement for FY 2010-11 (Rs Crore)

Sl.	Particulars	Revised Estimate	Approved
(1)	(2)	(4)	(5)
A	**Expenditure**		
1	Operation & Maintenance Expenses	16.59	14.96
1.1	*Employee Expenses*	9.39	8.53
1.2	*Administration & General Expenses*	3.56	2.83
1.3	*Repair & Maintenance Expenses*	3.64	3.60
2	Depreciation, including advance against depreciation	15.66	15.66
3	Interest on Long-term Loan Capital	16.50	16.33
4	Interest on Working Capital	1.06	1.33
5	Other Expenses	-	-
6	Income Tax	4.99	4.47
7	Contribution to contingency reserves	1.11	1.11
	Total Expenditure	**55.93**	**53.86**
B	**Return on Equity**	**29.90**	**29.90**
C	**Aggregate Revenue Requirement**	**85.82**	**83.76**
8	Less: Non-Tariff Income	0.36	0.36
D	**Aggregate Revenue Requirement from Transmission Tariff**	**85.47**	**83.40**
9	Incentive on transmission availability in FY 2008-09	0.86	0.88
10	Tax on availability incentive	0.29	0.30
E	**Add: Revenue Gap/ (Surplus) from Provisional Truing up for FY 2009-10**	**9.61**	**7.72**
F	**Add impact of ATE judgment in FY 2006-07**	**0.50**	**0.18**
G	**Add impact of ATE judgment in FY 2007-08**	**0.67**	**0.27**
H	**Total Revenue to be recovered through Transmission tariff**	**97.40**	**92.75**

The Aggregate Revenue Requirement for FY 2009-10 and FY 2010-11 is lower than that projected by the Petitioner primarily due to the following reasons:

- Reduction in approved O&M expense for FY 2009-10 and FY 2010-11,

- Reduction in Income Tax approved for FY 2009-10 and FY 2010-11,
- Reduction in approved impact of ATE Judgment on truing up of FY 2006-07 and FY 2007-08

Accordingly, the Commission approves Aggregate Revenue Requirement for FY 2010-11 as Rs 92.75 Crore.

5.13 Transmission Tariff for FY 2010-11

The Commission has issued its Order in respect of the intra-State transmission pricing framework in Case No. 58 of 2005 on June 27, 2006. The ARR as approved by the Commission for RInfra-T for FY 2010-11 in this Order, will be used to determine the composite ARR of the complete Intra-State Transmission System of all transmission licensees in the State for FY 2010-11. Hence, in this Order the Commission has only determined the ARR for RInfra-T for FY 2010-11 and not determined any transmission tariff for RInfra-T. Revenue for RInfra-T for FY 2010-11 will be as per the tariff to be determined by the Commission separately under its Order on intra-State transmission pricing framework.

5.14 Applicability of Order

This Order shall come into force with effect from September 1, 2010.

The Commission acknowledges the efforts taken by the Consumer Representatives and other individuals and organisations for their valuable contribution to the APR process for RInfra-T for FY 2009-10 and determination of revenue requirement for FY 2010-11.

Accordingly, RInfra-T's Petition in Case No. 100 of 2009 stands disposed off.

(V. L. Sonavane) Member	(S. B. Kulkarni) Member	(V.P. Raja) Chairman

(K. N. Khawarey)
Secretary, MERC

APPENDIX 1

List of persons who attended the Technical Validation Session held on February 16, 2010

S. No.	Name
RInfra Officials	
1	Shri. Kapil Sharma
2	Ms. Pramila S. Nirbhavane
3	Shri. Vivek Mishra
4	Shri. Srinivas G.
5	Shri. Karan Pallav
6	Shri. P.G. Phokmare
7	Shri. Ganesh Balasubramanian
8	Shri. Rohan Kale
9	Shri. M.S. Rao
10	Shri. Vikas Sonar
11	Shri. P.S. Pandya
12	Shri. S.G. Nath
13	Shri. Surendra S.
14	Shri. Amir Samant
15	Shri B. Mehta
16	Shri. Kamal Kant
17	Shri. Prasad L.A.
18	Shri. A. Vijay
19	Shri. M. Moolwaney
20	Shri. S.N. Rao
Others	
21	Shri. Rakshpal Abrol
22	Shri. A.V. Dev
23	Shri. K. Balarama Reddy
24	Shri. P.S. Reddy
Consultants to Commission	
25	Shri Ajit Pandit
26	Shri. Palaniappan M.
27	Shri. Amit Mittal
28	Shri. Saurabh Gupta
29	Shri. Krishnajith M.U.

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List of Objectors

S. No.	Name & Address of the Objector	Institution/Individuals
1.	Shri Shantanu Dixit	Prayas, Energy Group
2.	Adv. Shirish Deshpande	Mumbai Grahak Panchayat
3.	Dr. S.L. Patil	Thane Belapur Industries Association
4.	Shri R.B. Goenka	Vidarbha Industries Association
5.	Shri Sandeep N. Ohri	Individual
6.	Shri N. Ponrathanam	Vel Induction Hardenings
7.	Shri Rakshpal Abrol	Bhartiya Udhami Avam Upbhokta Sangh
8.	Shri P.G. Mazumdar	Urja Probodhan Kendra
9.	Adv. Parag M. Alavani	Bhartiya Janata Party
10.	Dr. V. Thanumoorthy	Mumbai Citizens Welfare Forum
11.	Shri P.N. Sridharan	Individual
12.	Shri B.H. Gujrathi	SLDC
13.	Shri A.V. Kolap	SLDC
14.	Shri Sudheer Agashe	BIJLEE
15.	Shri Surendra Sharma	Power Age Engg. Consultants
16.	Shri Rahul Ranade	Tata Power Company ltd.
17.	Shri Abhinav Sharma	Tata Power Company ltd.
18.	Shri Pramod	Individual
19.	Shri A. Joekin	Society for promotion of Area Resource Centres (SPARC)
20.	Shri Sunder Burra	Society for promotion of Area Resource Centres (SPARC)
21.	Shri S.H. Parab	Society for promotion of Area Resource Centres (SPARC)
22.	Smt. Meena Ramani	Society for promotion of Area Resource Centres (SPARC)
23.	Smt. Radha Naidu	Society for promotion of Area Resource Centres (SPARC)
24.	Smt. Mangal Kamde	Society for promotion of Area Resource Centres (SPARC)
25.	Smt. Pravin Shaikh	Society for promotion of Area Resource Centres (SPARC)
26.	Shri Imtiyaz Suresh	Society for promotion of Area Resource Centres (SPARC)
27.	Shri B. Telli	Individual
28.	Shri Vasant Shirali	Individual
29.	Shri Prakash D.	Individual
30.	Shri Nitin Mehta	Individual
31.	Shri Ajit A. Pethe	G.V. Electricals
32.	Smt. Raisakhan	Individual
33.	Smt. Mangal Chavan	Individual
34.	Smt. Selvi	Individual
35.	Smt. Bhanumati	Individual
36.	Smt. Shobha	Individual
37.	Shri Gunahal Hasan	Individual

38.	Shri Sharadkumar J. Shah	Individual
39.	Smt. Laxmi Naidu	Individual

List of Objectors present during Public Hearing held on April 15, 2010

S. No.	Name & Address of the Objector	Institution/Individual
1.	Dr. S.L. Patil	Thane Belapur Industries Association
2.	Shri Sandeep N. Ohri	Individual
3.	Shri N. Ponrathanam	Vel Induction Hardenings
4.	Shri Rakshpal Abrol	Bhartiya Udhami Avam Upbhokta Sangh
5.	Shri P.G. Mazumdar	Urja Probodhan Kendra
6.	Dr. V. Thanumoorthy	Mumbai Citizens Welfare Forum
7.	Shri P.N. Sridharan	Individual
8.	Shri B.H. Gujrathi	SLDC
9.	Shri A.V. Kolap	SLDC
10.	Shri Sudheer Agashe	BIJLEE
11.	Shri Surendra Sharma	Power Age Engg. Consultants
12.	Shri Rahul Ranade	Tata Power Company ltd.
13.	Shri Abhinav Sharma	Tata Power Company ltd.
14.	Shri Pramod	Individual
15.	Shri A. Joekin	Society for promotion of Area Resource Centres (SPARC)
16.	Shri Sunder Burra	Society for promotion of Area Resource Centres (SPARC)
17.	Shri S.H. Parab	Society for promotion of Area Resource Centres (SPARC)
18.	Smt. Meena Ramani	Society for promotion of Area Resource Centres (SPARC)
19.	Smt. Radha Naidu	Society for promotion of Area Resource Centres (SPARC)
20.	Smt. Mangal Kamde	Society for promotion of Area Resource Centres (SPARC)
21.	Smt. Pravin Shaikh	Society for promotion of Area Resource Centres (SPARC)
22.	Shri Imtiyaz Suresh	Society for promotion of Area Resource Centres (SPARC)
23.	Shri B. Telli	Individual
24.	Shri Vasant Shirali	Individual
25.	Shri Prakash D.	Individual
26.	Shri Nitin Mehta	Individual
27.	Shri Ajit A. Pethe	G.V. Electricals
28.	Smt. Raisakhan	Individual
29.	Smt. Mangal Chavan	Individual
30.	Smt. Selvi	Individual
31.	Smt. Bhanumati	Individual
32.	Smt. Shobha	Individual
33.	Shri Gunahal Hasan	Individual

34.	Shri Sharadkumar J. Shah	Individual
35.	Smt. Laxmi Naidu	Individual