ANNUAL REVENUE REQUIREMENT & TARIFF PROPOSAL FOR FY 2008-09 & FY 2009-10

AND

TRUE UP FOR FY 06-07 & FY 07-08

Submission of Text and Affidavit

To

Assam Electricity Regulatory Commission

By

Assam Electricity Grid Corporation Limited
Bijulee Bhawan, Paltanbazar
Guwahati – 781 001

BEFORE THE HON'BLE ASSAM ELECTRICITY REGULATORY COMMISSION

Petition No. ___________
Case No.______________
(to be filed by the Office)

IN THE MATTER OF
Filing of Annual Revenue Requirement &
Tariff Proposal for FY 2008-09 & FY 2009-10
AND
True up for FY 2006-07 & FY 2007-08
AND
IN THE MATTER OF
Assam Electricity Grid Corporation Limited
Bijulee Bhawan, Paltanbazar,
Guwahati – 781 001. Petitioner

I, ____ son of Shri ___________________________ aged ________ years residing at ___________________________ do solemnly affirm and say as follows:

I am the ______________________________ of Assam Electricity Grid Corporation Limited, the petitioner in the above matter and am duly authorized by the said Petitioner to make this affidavit for and on behalf of the Assam Electricity Grid Corporation Limited.

The Statement made in the Petition based on information received from official records and I believe them to reflect truly and no material has been concealed from the statements so made or documents or supporting data etc. attached.

Solemnly affirm at Guwahati on ____________th day of ___________ 2007 that the contents of this affidavit are true to my knowledge, no part of it is false or no material has been concealed therefore and misleading material included therein.

Place: Guwahati Deponent
Date __________

By order of the Commission

Secretary of the Commission

BEFORE THE HON'BLE ASSAM ELECTRICITY REGULATORY COMMISSION

FILING NO. ………………..
CASE NO. ………………….

IN THE MATTER OF: Petition for the approval of the Annual Revenue Requirement for the period from 1 April 2008 to 31 March 2010, true up for the period 1 April 2006 to 31 March 2008 and the approval of the proposal for revision of the transmission tariffs for the Assam Electricity Grid Corporation Limited (AEGCL) for the period 1 April 2008 to 31 March 2010.

AND

IN THE MATTER OF: Assam Electricity Grid Corporation Limited incorporated under the provisions of the Companies Act, 1956 and having its registered office in the State of Assam.

THE HUMBLE APPLICANT ABOVE NAMED MOST RESPECTFULLY SUBMITS:

1. That the Assam Electricity Grid Corporation Limited, hereinafter named as AEGCL, is a successor corporate entity, formed in pursuant to the notification of the Government of Assam, notified under sub-sections (1), (2), (5), (6) and (7) of Section 131 and Section 133 of the Electricity Act 2003 (Central Act 36 of 2003), for the purpose of transfer and vesting of functions, properties, interests, rights, obligations and liabilities, along with the transfer of Personnel of the Board to the successor corporate entities.

2. That the Assam Electricity Grid Corporation Limited is a company incorporated with the main object of undertaking electricity transmission in the state of Assam as State Transmission Utility (STU).

3. That the Assam Electricity Grid Corporation Limited is a deemed licensee under the provisions laid down in Section 14 Proviso 5, read with Section 131 (2) of the Electricity Act 2003.

4. That the licensee is now filing the petition for the approval of its Annual Revenue Requirement for the financial years 2008-09 & 2009-10 and proposal for the approval of wheeling charges for the financial year 2008-09 & 2009-10.

(PETITIONER)

Table of Contents

1 Introduction

1.1 Assam Electricity Grid Corporation Limited

1.1.1 Assam Electricity Grid Corporation Limited, herein named as AEGCL, is a successor entity, formed in pursuant to the notification of the Government of Assam, notified subsections (1), (2), (5), (6) and 7 of section 131 and section 133 of the Electricity Act 2003, for the purpose of transfer and vesting of functions, properties, interests, rights, obligations and liabilities, along with transfer of personnel of the Board to the successor corporate entities.

1.1.2 AEGCL is responsible for the wheeling and transmission of power in the State of Assam as the State Transmission Utility (STU). AEGCL also has the responsibility of dispatching and scheduling of power in the state through the State Load Despatch Centre (SLDC).

1.1.3 AEGCL has started functioning independently from 10th December, 2004 as per the Assam Electricity Reform First Transfer Scheme which was notified by the Government of Assam vide PEL.151/2003/pt/165 dated 10th December, 2004.

1.1.4 The Government of Assam vide notification No. PEL.151/2003/Pt/349 dated 16th August, 2005 issued orders to give effect to the reorganization of the Assam State Electricity Board and the finalization of the provisional transfers effected as per the provisions of the Electricity Act, 2003 and the First Transfer Scheme.

1.2 Assam Electricity Regulatory Commission

1.2.1 The Assam Electricity Regulatory Commission (hereinafter referred to as the AERC or the Hon'ble Commission) was established under the Electricity Regulatory Commissions Act (hereinafter referred to as the ERC Act), 1998 on February 28, 2001. The AERC came into existence in August 2001 as a one-man Commission. Subsequently, the Electricity Act 2003 was enacted on 26th May 2003, repealing the previous Electricity Acts, giving provision for State Electricity Regulatory Commission. Considering the multidisciplinary requirements of the Commission, it was made a multimember one, constituting three Members (including Chairperson) from 27th January, 2006. The Commission has started functioning as

Multimember Commission on joining of two members from 1st February, 2006.

1.2.2 The Commission is mandated to exercise the powers and functions conferred under Section 181 of the Electricity Act 2003 (36 of 2003) (hereinafter referred to as the Act) and to exercise the functions conferred to it under Section 86 of the Act.

1.2.3 Functions of the Commission

The functions of the Hon'ble Commission as mandated under the section 86 of Electricity Act 2003 which are re-iterated below as:-

1.2.3.1 To determine the tariff for generation, supply, transmission and wheeling of electricity, wholesale, bulk or retail, as the case may be, within the State;

1.2.3.2 Providing that where open access has been permitted to a category of consumers under section 42, the State Commission shall determine only the wheeling charges and surcharge thereon, if any, for the said category of consumers;

1.2.3.3 Regulate electricity purchase and procurement process of distribution licensees including the price at which electricity shall be procured from the generating companies or licensees or from other sources through agreements for purchase of power for distribution and supply within the State;

1.2.3.4 Facilitate intra-state transmission and wheeling of electricity;

1.2.3.5 Issue licenses to persons seeking to act as transmission licensees, distribution licensees and electricity traders with respect to their operations within the State;

1.2.3.6 Promote cogeneration and generation of electricity from renewable sources of energy by providing suitable measures for connectivity with the grid and sale of electricity to any person, and also specify, for purchase of electricity from such sources, a percentage of the total consumption of electricity in the area of a distribution licensee;

1.2.3.7 Adjudicate upon the disputes between the licensees, and generating companies and to refer any dispute for arbitration;

1.2.3.8 Levy fee for the purposes of this Act;

1.2.3.9 Specify State Grid Code consistent with the Grid Code specified under clause (h) of sub-section (1) of section 79;

1.2.3.10 Specify or enforce standards with respect to quality, continuity and reliability of service by licensees;

1.2.3.11 Fix the trading margin in the intra-State trading of electricity, if considered, necessary; and

1.2.3.12 Discharge such other functions as may be assigned to it under this Act.

1.2.4 The State Commission shall advise the State Government on all or any of the following matters, namely:-.

1.2.4.1 Promotion of competition, efficiency and economy in activities of the electricity industry;

1.2.4.2 Promotion of investment in electricity industry;

1.2.4.3 Reorganization and restructuring of electricity industry in the State;

1.2.4.4 Matters concerning generation, transmission, distribution and trading of electricity or any other matter referred to the State Commission by that Government.

1.2.5 The State Commission shall ensure transparency while exercising its powers and discharging its functions.

1.2.6 In discharge of its functions the State Commission shall be guided by the National Electricity Policy, National Electricity Plan and tariff policy published under section 3 of Electricity Act 2003.

1.3 Tariff Orders Issued

1.3.1 The final Tariff Order was issued as an unbundled entity, Assam State Electricity Board herein referred to as ASEB, on 6th August 2004 for FY04-05. The Hon'ble Commission later to this tariff order has accepted tariff petitions and issued tariff orders for each unbundled entities separately. The tariff petitions later to this were filed separately by the Generation Company, Transmission Company, Three Distribution Companies and the Trading Company.

1.3.2 The Hon'ble Commission thereafter issued the tariff orders FY 05-06 for Assam State Electricity Board and successor entities, the Generation Company – Assam Power Generation Company Limited (APGCL), the Transmission Company – Assam Electricity Grid Corporation Limited (AEGCL), three Distribution Companies – Upper Assam Electricity Grid Corporation Limited (UAEDCL), Central Assam Electricity Distribution Company Limited (CAEDCL) & Lower Assam Electricity Distribution Company Limited (LAEDCL) and the residual company with powers of trading & bulk power purchase/supply – Assam State Electricity Board. The tariff order was issued by the Hon'ble Commission on 27th May 2005.

1.3.3 The hon'ble Commission issued the tariff order FY 06-07 on 28th July 2006, in a similar manner for ASEB and its successor entities. The Hon'ble Commission in the tariff order mentioned to implement the Multi Year Tariff framework from FY 07-08 onwards.

1.3.4 Subsequently ASEB and its successor entities, filed the petition under the Multi Year Tariff framework as per the provisions of the Terms & Conditions of Tariff Regulations, 2006 for a 3 year control period from FY 07-08 to FY 09-10. Subsequently, the Hon'ble Commission approved the Annual Revenue Requirement (ARR) & Tariff for a single year, i.e., FY 07-08 due to non-availability of the Audited Annual Accounts of the Companies and stated that it would take into consideration the ARR & Tariff for FY 08-09 & FY 09-10 whenever the Audited Annual Accounts are available.

1.4 Legal & Regulatory Framework

1.4.1 As per the functions of the State Commission, mandated under section 86 of Electricity Act mentioned in the Para 1.2.3 above, for determination of tariff for a licensee and the provisions of Terms & Conditions for determination of Tariff Regulations, 2006 under section 3,5,6 and 7, the transmission utility is required to file its Annual Revenue Requirement & Tariff periodically. The sections 3, 5, 6 and 7 are re-iterated below for reference.

1.4.2 Section 3 of the Terms & Conditions for determination of Tariff Regulations, 2006 lays down the approach to determine the tariff for the licenses and the provisions are reiterated below.

1.4.2.1 The Commission shall determine the tariff in accordance with Sections 61 and 62 of the Electricity Act, 2003 (36 of 2003). As per Section 61, the Commission shall be guided by the following, namely:-

a) The principles and methodologies specified by the Central Commission for determination of the tariff applicable to generating companies and transmission licensees;
b) The generation, transmission, distribution and supply of electricity are conducted on commercial principles;
c) the factors which would encourage competition, efficiency, economical use of resources, good performance and optimum investment;
d) safeguarding of consumers' interest and at the same time, recovery of the cost of electricity in a reasonable manner;
e) the principles rewarding efficiency of performance;
f) multi-year tariff principles;
g) The tariff progressively, reflects the cost of supply of electricity, and also, reduces and eliminates cross-subsidies within the period to be specified by the Commission;
h) The promotion of cogeneration and generation of electricity from renewable sources of energy; and
i) The National Electricity Policy and tariff policy.

1.4.3 Section 5 of the Terms & Conditions for determination of Tariff Regulations, 2006 lays down the approach for periodicity of ARR & tariff determination for the licenses and the provisions are reiterated below.

1.4.4 No tariff or part of any tariff may ordinarily be amended, more frequently than once in any financial year, except in respect of any changes expressly permitted under the terms of any fuel surcharge formula as may be specified in terms of subsection (4) of Section 62 of the Act specified in regulation 9 of these Regulations.

1.4.5 Subject to other provisions of these Regulations, the expenses allowed to be recouped for any financial year, shall be subject to adjustments in any tariff to be fixed for the subsequent period, if the Commission is satisfied, that such adjustments for the excess amount or shortfall in the amount actually realized or expenses incurred is necessary and the same is not on account of any reason attributable to the licensee.

1.4.6 In accordance with the principle of multi-year tariffs, the Commission shall define the periodicity for tariff determination that will apply for a number of years during a control period as follows:

Function	Control Period
Generation	5 years from April 2006
Transmission	3 years from 1 April 2006
Distribution	3 years from 1 April 2006

Note: For example if the Tariff determination period is 2006-07, the Control Period shall be 2006-07, 2007-08 and 2008-09.

1.4.7 Section 6 of the Terms & Conditions for determination of Tariff Regulations, 2006 lays down the approach & methodology to be adopted for ARR & tariff determination for the licenses and the provisions are reiterated below.

1.4.8 The licensee and generating company shall file a tariff petition annually with the Commission to determine changes to the current tariff not later than 1st December unless an extension is granted by the Commission upon application.

1.4.9 In the tariff petition, the licensee and generating company shall submit information for the purpose of calculating expected revenue and expenditure and for furnishing information for tariff determination in formats that will be issued separately by the Commission

1.4.10 The tariff petition shall be accompanied by financial and performance information in forms specified by the Commission for the previous year/years, current year and the ensuing year. The information for the previous year should be based on audited accounts and in case audited accounts for the previous year are not available, audited accounts for the latest previous year should also be filed along with unaudited accounts for all the succeeding years.

1.4.11 If a person holds more than one license and /or is deemed to be licensee for more than one area of distribution or transmission, he shall submit separate petitions in respect of each license or area of transmission or distribution.

1.4.12 In its tariff petition, a generating company shall submit information to support the determination of tariff for each generating station.

1.4.13 Section 7 of the Terms & Conditions for determination of Tariff Regulations, 2006 lays down the approach for adoption of Multi Year Tariff framework for the licenses and the provisions are reiterated below.

1.4.14 The licensee and generating company shall file petitions with the Commission six months prior to the commencement of the control period proposing the tariff determination principles to be applied by the Commission or such shorter period that the Commission may specify.

1.4.15 The licensee and generating company shall also submit financial information for the previous year and forecasts for current year, ensuing year and the years up to the end of the control period as given below:

a) Actual audited data of the last financial year (e.g., 2004-05 if year one of the control period is 2006-07) and if the same is not audited the audited data of the latest financial year accompanied by unaudited data of the subsequent years.
b) Current Year's estimates
c) Projections for the control period years e.g. 2006-07 and 2007-08,2008-09.

1.5 Procedural Background

1.5.1 AEGCL had filed Multi Year Tariff Petition for a three year control period of starting from FY 07-08 to FY 09-10. The Hon'ble Commission had approved the ARR & Tariff for a single year, i.e., FY 07-08, due to non-availability of Audited Financial Statements and had mentioned that it would consider the ARR & tariff for FY 08-09 & FY 09-10 whenever Audited Annual Statements are available.

1.5.2 Further, to this the audit of Annual Accounts was undertaken and completed for FY 05-06. However, the Accountant General audit for FY 06-07 is awaiting completion. Meanwhile, AEGCL has compiled the Provisional Annual Accounts for FY 06-07 and is in the process of finalizing & obtaining internal approval for FY 07-08 Provisional Annual Accounts. The Provisional Annual Accounts for FY 07-08 would be finalized and furnished to the Hon'ble Commission as soon as it is approved by the Board of AEGCL.

1.5.3 AEGCL is submitting herewith the petition seeking true-up for FY 06-07 & FY 07-08 and ARR & Tariff Petition for FY 08-09 & FY 09-10 to the Hon'ble Commission for approval. The petition is filed on 3rd day of October 2008, for the consideration of the Hon'ble Commission and AEGCL has provided necessary data/information in the required regulatory formats specified. The Hon'ble Commission is expected to accord an acceptance to the petition after due scrutiny and satisfaction that the petition is appropriately supported by necessary data/information.

1.5.4 The petition thus accepted by the Hon'ble Commission would further be validated and analyzed in detail through a technical validation session held with AEGCL. The Hon'ble Commission would if necessary request for additional information/data from AEGCL. The Hon'ble Commission would communicate to AEGCL to publish the ARR & tariff petition in the public domain either on acceptance of the petition or later to the technical validation session.

1.5.5 The petition thus available in the public domain may be obtained by the stakeholders, consumers, individuals, etc from the AERC office & AEGCL office and other locations as specified by AERC. The copy of the same would be available on the website of AERC & AEGCL and the gist of the petition would also be published in select national & local news paper.

1.5.6 Stakeholders, consumers groups as Registered NGO's, Individuals, Trade Bodies Association such as Chambers of Commerce, etc may send objections/suggestions/comments on the ARR & Tariff Petition to AEGCL with a copy to AERC within a stipulated time period as specified by AERC. The objections/suggestions/comments would be replied by AEGCL with a copy to the Hon'ble Commission for its views. In addition, public hearing would be held where all these objections/suggestions/comments would be discussed on an open public forum.

1.5.7 The Hon'ble Commission taking into consideration these objections/suggestions/comments, replies by the AEGCL and other information/data submitted would issue a tariff order within 120 days from the receipt of the petition as mandated in the section 64 (3) of the Electricity Act 2003.

2 True Up of costs for FY 2006-07 & FY 2007-08

2.1 Methodology for True up

2.1.1 The Hon'ble Commission approves the cost parameters through approval of the Annual Revenue Requirement at the beginning of the year keeping into mind various parameters and assumptions. The cost approvals for each of the item are based on projections before the start of the year and hence tend to change over the course of the year.

2.1.2 The actual cost for all the approved cost elements/parameters may vary as against the approved cost during the year due to various controllable and uncontrollable reasons on the part of the licensees and the licensees may end up with higher or lower expenditures, as the case may be, at the end of year as against the approved cost. In these cases of actual expenditure being higher than the approved expenditure, there is no mechanism during the year to recover the additional expenditure over and above the approved expenditure as the tariff for a licensee cannot be amended more than once as per the section 5 (5.1) of the Terms & Conditions for determination of Tariff, Regulations 2006 of AERC, the abstract of which is provided below:-

*"No tariff or part of any tariff may ordinarily be amended, **more frequently than once in any financial year**, except in respect of any changes expressly permitted under the terms of any fuel surcharge formula as may be specified in terms of subsection (4) of Section 62 of the Act specified in **regulation 9 of these Regulations.**"*

2.1.3 In case of a Generation company & Distribution Company, the section 9 of the regulation provides for recovery of additional cost for fuel and power purchase than the approved cost by AERC on a quarterly basis through the formulae to be approved by the Hon'ble Commission. But a transmission licensee does not have any mechanism to recover the additional cost over and above the approved cost but to seek request for recovery in the subsequent year tariff through a true up mechanism.

2.1.4 In the true up mechanism, the transmission licensee analyses the difference of actual expenditure in comparison to the approved expenditure by the Hon'ble Commission. The licensee submits this request through true up for the recovery of previous year additional expenditure.

2.1.5 The Hon'ble Commission, analyses the additional expenditure for the previous year/years based on the Annual Financial Statements of the licensee and allows/disallows the recovery of the additional expenditure through the present year tariff, subject to prudence check.

2.1.6 Based the above methodology, AEGCL hereby submits true-up exercise for FY 06-07 & FY 07-08, based on the Provisional Annual Accounts for FY 06-07 & Provisional figures for FY 07-08 (Provisional Annual Accounts to be submitted on approval of Board), for the approval of the Hon'ble Commission. The subsequent sections outline the additional recovery required for each of the expenditure items along with the necessary justifications.

2.1.7 The summary of the amount sought by AEGCL under the true up exercise for FY 06-07 & FY 07-08 is shown in Table 2-1 below, analyzing the actual expenditure vis-à-vis that approved by AERC. To summarize the comparison briefly, all the expenditure except for employee cost and special charges on Bulk Supply Tariff (Terminal Benefits) has been on the higher side as against approved expenditure. As far as the actual income from other sources is concerned, the same has been lower than as approved by AERC.

2.1.8 The estimate of the true up is described in Table 2-1 & Table 2-2 below and the subsequent sections describes the true up required for each of the cost parameters.

Table 2-1: True up for FY 06-07 & FY 07-08

Particulars (Rs Crores)	FY 2006-07			FY 2007-08		
	Actual	Approved	True Up	Actual	Approved	True Up
PGCIL Transmission & NERLDC Charges	126.95	98.13	126.95	126.32	100.28	126.32
Repairs & Maintenance	8.75	6.64	8.75	12.23	6.17	12.23
Employee Cost	39.28	49.84	39.28	47.29	42.31	47.29
Admin & General	3.30	2.01	3.30	2.10	1.85	2.10
Depreciation	3.12	16.07	3.12	3.45	0.92	3.45
Advance Against Depreciation	9.17	0.00	9.17	5.69	0.00	5.69
Interest & Finance Charges	21.49	4.44	21.49	29.16	3.51	29.16
Less: Interest & Other Expenses Capitalised	0.00	0.00	0.00	0.00	0.00	0.00
Other Debits & Extra Ordinary Payments	11.40	0.00	11.40	0.40	0.00	0.40
Provision for Taxes	0.09	0.00	0.09	0.10	0.00	0.10
Special Charges on BST - Terminal Benefits	27.29	38.76	27.29	38.76	27.29	38.76
Net Prior Period Credit/Charges	-1.23		-1.23	0.04		0.04
Total Expenditure	**249.61**	**215.89**	**249.61**	**265.55**	**182.33**	**265.55**
Add: Return On Equity	13.99	13.99	13.99	13.99	5.64	13.99
Less: Other Income	16.83	20.47	16.83	10.86	20.47	10.86
Total ARR	**246.78**	**209.41**	**246.78**	**268.69**	**178.58**	**268.69**

Table 2-2: Summary Of The Total True Up for FY 06-07 & FY 07-08

Particulars (Rs Crores)	FY 2006-07	FY 2007-08
Total ARR	246.78	268.69
Revenue from Wheeling Charges	181.18	216.19
True up Value	65.60	52.50

2.2 Transmission Charges to PGCIL & NERLDC

2.2.1 The expenditure in regard to the transmission charges payable to PGCIL & NERLDC is billed to AEGCL based on the orders issued by the Central Electricity Regulatory Commission (CERC). The charges are allowed to be recovered by PGCIL from the constituent users of the network approved as per order of CERC and the percentage share of the cost to be borne by the State of Assam is billed to AEGCL.

2.2.2 Therefore, AEGCL does not have any control on the amount to be paid to PGCIL on account of this and hence it is submitted to the Hon'ble Commission that the excess expenditure is allowed to be recovered as part of the true-up exercise. Therefore, an additional expenditure towards PGCIL Charges is Rs 28.82 Crores in FY 06-07 & Rs 26.04 Crores in FY 07-

08 in excess of the amount approved previously by the Hon'ble Commission and AEGCL request the Hon'ble Commission to approve the same in the present true-up exercise.

2.3 Operation & Maintenance Cost

2.3.1 The employee cost has been lower in FY 06-07 and it has been higher in FY 07-08 as against the approved expenditure by the Hon'ble Commission. AEGCL submits that the recruitments due in FY 06-07 did not materialize and recruitments actually have happened in FY 07-08. Due to this reason the employee cost in FY 06-07 has remained lower than the expenditure approved by the Hon'ble Commission and whereas in FY 07-08 the expenditure has increased. It is pertinent to mention that AEGCL is already expanding its network and constructing new sub-stations for which additional trained manpower would be required in the next financial years also. Therefore, actual employee cost for FY 06-07 & FY 07-08 may be allowed to be recovered through the present true up exercise.

2.3.2 As regard to the Repairs & Maintenance expenditure, AEGCL would like to submit that the substations and network have not undergone any major repair & maintenance work in the past decade due to the shortage of funds. The sub-stations and conductors are very old and require immediate repair & maintenance to maintain them in operational condition. For this purpose, additional expenditure was incurred by AEGCL during the years under consideration. A part of this expenditure was funded through the income accrued from sale of scrap in FY 05-06 and has been utilized in undertaking such maintenance. Even after incurring this additional expenditure, there is still huge requirement of funds to undertake prudent maintenance of the network on account of the vintage of the network equipments and lines. AEGCL submits that the expenditure undertaken was very critical to maintain the stability and reliability of the network and in case the same was not undertaken, it would have affected the availability of the AEGCL network for drawl of power by the distribution companies and thus affecting the consumers. Also, the approval given by the Hon'ble Commission in the tariff order FY 07-08 was mainly an inflationary rate of increase which is not commensurate for R&M of the old network and increased assets. Rather, it should be linked to the assets with the transmission utility. In view of the same, Hon'ble Commission is humbly requested to view this additional expenditure in light of the submission made above and allow this additional expenditure as part of the true –up exercise.

2.3.3 Administration & General Expenses have been higher than the approved amounts mainly on account of additional expenditure against consultancy charges and technical fees. These charges & fees has seen a rising trend as various projects such as new substations, lines, reform exercises, etc, which have been undertaken by AEGCL, require skill set which are not available within AEGCL and hence support has to be sought from external consulting firms which have requisite skill sets. This advisory and consulting support is required to improve the position of the transmission company both in terms of technical as well financial aspects. Therefore, AEGCL envisages this type of expenditure during the current transformation period of the utility and hence Hon'ble Commission is requested to allow the true up of the additional cost against the approved amount.

2.4 Interest & Finance Charges

2.4.1 Interest & Finance Charges are on account of loans drawn and bonds issued by AEGCL for financing the capital expenditure, interest paid for fund contributed by employees towards GPF and cost of raising finance in the form of bank charges. The loans drawn & bonds issued amounts to Rs 83.12 Crores in the opening balance sheet of AEGCL for FY 05-06 and have been allocated under the transfer scheme to the transmission company. The major amount is on account of the Public Bonds issues to an extent of Rs 65.54 Crores. Thereafter, AEGCL had been extended funds from state government and other financial institutions such as ADB through components of grant and loan. These funds were extended AEGCL to improve the network condition and up gradation of system capacity to cater the increased demand.

2.4.2 The system capacity is very critical to the State of Assam for meeting the increased demand on account of rising economic and industrial activities envisaged. With increase in economic activity and industrialization in the state, the requirement of huge network capacity and availability of transmission lines is necessary. AEGCL does not have surplus funds to undertake this huge capital expenditure to cater to the expansion & up gradation of transmission for the anticipated increase demand. AEGCL in turn without effecting the expansion & up-gradation requirement has borrowed funds through grant and loan drawl.

2.4.3 In addition, to the loan drawn after the transmission company was formed, the servicing of the loans & bonds obtained allocated to AEGCL as opening balance as a part of the transfer scheme cannot be dishonoured and has to be serviced appropriately. This loan and interest liability is vested with AEGCL and if the cost associated with it is disapproved by the Hon'ble Commission, it would be very difficult for AEGCL to dishonour its commitment towards servicing these loans. The Hon'ble Commission in the Tariff Order FY 07-08 has disallowed full interest cost which has huge financial impact on AEGCL and it would disincentivise AEGCL to undertake any further system augmentation and capacity additions. Therefore, it is submitted that the interest on the loans & bonds inherited as a part of the transfer scheme in the opening balance and the loan borrowed for the capital expenditure be allowed to be trued up.

2.4.4 AEGCL is also liable to pay interest for the fund contributed for GPF by the employee and which is charged to Profit & Loss Account. Therefore, contribution of funds by employees would necessarily be paid interest and cannot be denied. Therefore, the Hon'ble Commission is requested to approve the interest cost of 8% of contribution towards GPF.

2.4.5 The interest cost on working capital is estimated on normative basis as per the provisions of the Terms & Conditions For Determination of Tariff Regulations, 2006. Further the rate of interest used for computing the interest liability on this account is 9% for FY 06-07 & 9.5% for FY 07-08 as per the interest rates approved in the tariff order interest rates. This methodology had been adopted by the Hon'ble Commission for computing the interest on working capital during the approval process for FY 2007-08 ARR. The variance in the interest liability is only on account of the change in the cost elements forming part of the working capital computation.

2.4.6 The cost for raising finance is charged by the banks and includes elements such as the processing fee, etc. This is legitimate expenditure incurred by AEGCL and hence needs to be allowed in order to facilitate term loan borrowing. The Hon'ble Commission is requested to kindly approve the same as part of the true-up exercise.

2.4.7 Therefore, the Honble Commission is humbly requested to approve the interest & finance charges collectively for all the elements as outlined above as part of the truing-up exercise for truing up.

2.5 Depreciation

2.5.1 The depreciation rates as laid down in the Terms & Conditions for Determination of Tariff Regulation, 2006 issued by AERC are used for estimation of the depreciation. The depreciation estimated also considers that the asset is depreciated to a maximum extent of 90% of the cost of the asset over useful life of the asset. As the asset wise classification is not available with AEGCL, an approximation of the depreciable life to maximum of 90% is considered based on the opening Gross Fixed Asset for each heads as per the ledger of AEGCL. Therefore, as the depreciation is estimated as per the norms specified by the Hon'ble Commission in its regulation it is requested that the depreciation estimated above is approved by the Hon'ble Commission.

2.5.2 Depreciation allowed is a non-cash expenditure which is utilized to repay the loans and any shortfall in depreciation to meet the loan repayment obligation is to be met by the Advance against Depreciation (AAD) provision of the tariff regulation. As per the provisions of tariff regulations, AAD is computed as a difference between the Loan repayment amount subject to a ceiling of 1/10th of loan amount and the depreciation charged during the year in line with provisions of the regulation. However, it is humbly submitted that this AAD estimated as per the tariff regulation does not meet the total loan repayment obligations of AEGCL. This presents a very serious issue in front of the company as it creates a major cash flow issue for the company. AEGCL operates under a regulated scenario and hence has no surplus funds or excess profit earned by the Company or any other source of funds which can be utilized for repayment of these loans. Considering the predicament faced by the AEGCL, the Hon'ble Commission is requested to kindly permit the actual repayment to be allowed as Depreciation and AAD for recovery through true up.

2.6 Special Charges on Bulk Supply Tariff

2.6.1 Special Charges on BST is submitted as actually charged to the energy injected to the Distribution Companies @ 10 paisa per unit as approved by the Hon' ble Commission and hence is requested to be approved as actual for true up.

2.7 Other Expenses

2.7.1 Other expenses such as the provision for taxes, prior period credit charges, other debits & extra ordinary payments are actually incurred by AEGCL in the respective years. The major amount is on account of extra ordinary payments, which is due to de-pooling charges paid to PGCIL as per the amount billed by them as per the CERC order and hence is requested to be trued up at actual.

2.8 Return on Equity

2.8.1 Return on Equity is estimated on a normative rate of return @ 14 % on equity base of AEGCL and hence is same as approved by the Hon'ble Commission.

2.9 Other Income

2.9.1 Other Income consists of income from other sources such as the sale of scrap, income from trading, etc and also includes a P&L element of de-pooling income from PGCIL. Therefore, this income is substantial which set off the ARR of AEGCL. The other income submitted for true up is lower than the approved income. The actual income received from the different elements is submitted with an exception of income from investment in fixed deposit. AEGCL submits that the investments done in fixed deposit are only through the funds which are available for expenditure and is not a surplus fund. AEGCL adopts a specialist treasury management practices to earn a meagre income from temporary parking of funds in fixed deposit of very short period. This income should not be considered as other income from normal transmission business but a special effort taken for management of fund. It is requested that AEGCL is allowed to retain this additional income and not set off with the ARR as it is an income earned from the special efforts of AEGCL.

2.9.2 Considering all the above mentioned elements, the Annual Revenue Requirement on actual basis, revenue from the transmission charges and shortfall thereof is drawn out. AEGCL has a shortfall of Rs 65.60 Crores for FY 06-07 & Rs 52.50 Crores for FY 07-08. AEGCL submits that, in view of the above submissions, each of the elements as submitted by AEGCL may be approved and the true up of the shortfall is allowed by the Hon'ble Commission. AEGCL proposes to carry forward this shortfall for recovery in the future years.

3 Annual Revenue Requirement FY 2008-09 & FY 2009-10

3.1 Energy Balance

3.1.1 The energy balance for the transmission utility consists of the energy injected into the periphery of the transmission grid, the energy received by the three distribution companies namely, Upper Assam Electricity Distribution Company Limited, Central Assam Electricity Distribution Company Limited & Lower Assam Electricity Distribution Company Limited and the resultant energy loss (Transmission & Transformation loss - T&T) happening in the network and equipment of the transmission utility.

3.1.2 The present state of metering for the transmission utility is not appropriate to ascertain the accurate T&T loss; hence the estimate for actual and projected figures would largely vary. The Hon'ble Commission has also accepted this fact in the Tariff order FY 07-08 in the section 5.22, the abstract of which is provided below:-

"Considering some percentage of errors in this loss calculation on account of non-availability of proper meters at some feeders, the Commission after examining the detail energy flow from different sources allowed a transmission loss of 6.10% for FY 07-08"

3.1.3 The Hon'ble Commission had also approved a special fund for installation of meters through a "Development Fund". AEGCL has been utilizing this fund to install ABT meters at all metering points and the updated status of installation of meters is presented as in the Table 3-1 below:-

Table 3-1: Status of Installation of Meters

Sl.No.	Status
1.	Installation & Commissioning Complete at Kahilipara, Sarusajai, Nazira, Mariani, Tinsukia, Rupai and Doomdooma s/s
2.	Erection of metering panels completed at remaining substations except NTPS, LTPS and new substations.
3.	All materials for ABT metering delivered to all new substations. Metering will be completed after completion of the new substations.
4.	For online monitoring a separate communication network is under evaluation with support from NIC.

3.1.4 With impressive progress on the installation of meters, it is certain that the loss estimation and the energy audit would be more accurate in the near future. Though, SLDC undertakes an energy audit for the transmission network for estimation of AEGCL T&T losses, it is still inaccurate and cannot be adopted. Based on the data/information furnished by SLDC, the T&T loss estimated is represented in the Table 3-2 below:-

Table 3-2: T&T loss of AEGCL for FY 07-08

Energy Audit for FY 07-08 (based on data as submitted by SLDC)	
Particulars	**Energy (MWH)**
Input from LTPS	4,91,328
Input from NTPS	5,10,014
Input from KHLEP	5,09,293
Sub Total: Energy Input from APGPCL	**15,10,636**
Import from DLF	92,910
Import from C.S. and others	31,87,040
Input through Unscheduled Interchange	0
Sub Total: Energy Input from Other Sources	**32,79,950**
Total Input to AEGCL from APGCL & Import	**47,90,586**
Less :Export through Unscheduled Interchange	7,72,631
Total Availability in Assam Grid	40,17,954
Net Availability in Assam Grid	38,17,762
T&T Loss (MUs)	2,00,192
T&T Loss in percentage	**4.98%**

3.1.5 Since the metering at injection points to Distribution companies is not appropriate, the loss estimation done by SLDC as shown in Table 3-2 is inaccurate and cannot be taken as 4.98%. Therefore, AEGCL submits that the actual T&T loss of AEGCL network is approximately retained at 6.10% for FY 07-08 as approved by the Hon'ble Commission in the Tariff Order for FY 07-08.

3.1.6 Further, AEGCL would target a reduction in loss in FY 08-09 & FY 09-10, through the various efforts and the loss levels to be maintained is described in Table 3-3 below:-

Table 3-3: T&T Loss Target by AEGCL

	FY 06-07 Approved	FY 07-08 Approved	FY 08-09 Target	FY 09-10 Target
T&T Loss (%)	6.50%	6.10%	5.82%	5.81%

3.1.7 Based on the T&T loss (%) targeted the energy injection at the transmission is projected for FY 08-09 & FY 09-10. The energy injection projected is represented in Table 3-4 below:-

Table 3-4: Energy Injection & T&T Loss

Particulars	FY 08-09	FY 09-10
Energy Injection to AEGCL	4516	5500
Energy Injection Into Distribution Companies	4253	5180
T&T Loss		
%	5.82%	5.81%
MUs	263	320

3.2 Transmission Charges to PGCIL & NERLDC

3.2.1 The transmission charges payable to the Power Grid Corporation of India Limited (PGCIL) by the Assam utilities on Account of Transmission Charges and Unified load Despatch Centre (ULDC) Charges is paid by AEGCL.

3.2.2 These transmission charges to PGCIL is determined as per the order of the Central Electricity Regulatory Commission (CERC) based on the annual charges recoverable for the transmission lines & network of PGCIL by the constituents and the respective share of each of the constituents. The average percentage (%) share of the Annual Transmission Charges is estimated based on the Regional Energy Accounts (REA) prepared by the

RLDC's and for the Assam utilities it is determined to 50.82% for FY 08-09.

3.2.3 Based on this, the estimated Annual Transmission charges payable to PGCIL is estimated as Rs 113.90 Crs for FY 08-09 and assumed to be same for FY 09-10. Any variation in the charges for both the years can be trued up in the next ARR & Tariff Petition.

3.2.4 The estimation of the Annual Transmission Charges for FY 08-09 is estimated by PGCIL as per the Annexure C of the petition.

3.3 Operation & Maintenance Expenses

3.3.1 The operation & maintenance expenses as defined by the tariff regulations accounts to three components towards Employee Cost, Repair & Maintenance and Administration & General Charges. The estimation/projection of O&M expenses is to be done as defined by the tariff regulations as per the section 8.4.3 as re-iterated below:-

"The norms for O&M expenses shall be fixed on the basis of circuit kilometer of transmission lines, transformation capacity and number of bays in substations Till complete data regarding length of transmission lines, transformation capacity and substation bays is available, the Operations and Maintenance budget will be set based on the Commission's assessment of the estimates submitted by the license."

3.3.2 AEGCL submits here that, with regards to the data/information on Circuit Kilometer of transmission lines, transformation capacity and number of bays in substations, the same is being compiled through the creation of Asset Register through an external consultant, as directed by the Hon'ble Commission in the section 9.3 (b) of the Tariff Order FY 07-08. On finalization of the Asset Register, the estimation of O&M expenses can be done through the above basis of actual network elements.

3.3.3 Therefore, in absence of the same, individual assumptions on the projections for these cost components are taken and submitted before the Hon'ble Commission for approval. The assumptions for projecting each of the O&M component and the projected expenditure are described in the sections below.

3.4 Repair & Maintenance

3.4.1 The repair and maintenance expenditure has direct co-relation with assets of the licensee. Typically, they are estimated as a percentage of the assets of the licensee along with a provision for additional repair & maintenance expenditure linked to additions to assets. Based on the same, the repair and maintenance charges for FY 08-09 and FY 09-10 are estimated as a percentage of Opening Gross Fixed Asset for each year and the percentage for FY 07-08 thus arrived has been arrived used.

3.4.2 The percentage of R&M expenses to the Opening GFA as per the Annual Accounts for past three years is shown in Table 3-5 below:-

Table 3-5: Percentage (%) R&M Expenses over GFA

Particulars (Rs Crores)	FY 2005-06	FY 2006-07	FY 2007-08
Opening GFA	502.32	584.90	594.87
R&M Expenses	7.84	8.75	12.23
% of R&M expenses to Opening GFA	1.56%	1.50%	2.06%

3.4.3 Based on the above, the percentage used for estimation of regular R&M is @ 2.06% for FY 08-09 & FY 09-10.

3.4.4 The repair & maintenance of assets has been very conservatively undertaken in the past due to the shortage of funds and has affected the network condition. There has been no major maintenance of the transmission network & substation from the past decade which has been the reason for deteriorating condition of the lines & sub stations. AEGCL through this petition would like to highlight this issue and seek a special allocation/approval of funds over an above the regular maintenance work. This fund would be used to undertake a major maintenance work in these two years and would revamp the lines and substations.

3.4.5 It is pertinent to highlight that earlier the execution of new projects were undertaken by AEGCL themselves and spares required were available from dismantled or excess project materials. But presently all new projects are executed on turnkey basis and there is hardly any availability of spares. The inventories in the financial statements of AEGCL show a huge amount which is consistent over years. But these inventory materials are very obsolete items which cannot be utilized in the modern day. These items are to be liquidated through a special initiative to be taken by the management, so that, the latest spares as per the requirement can be purchased and stocked appropriately for emergency as well as regular maintenance. But this liquidation would take some time and as an immediate relief AEGCL seeks a special fund for major maintenance activities. The details of the expenditure as per the special provision for major maintenance are detailed out in Table 3-6 below:-

Table 3-6: Details of Cost For Special Provision for R&M

Sl.No.	Particulars	Units	Quantity	Approx. Cost (in Rs Crs)
1	220 KV s/s Items			
	Circuit Breaker (CB)	No.	2	0.400
	Lightning Arrestor (LA)	No.	9	0.090
	Current Transformer (CT)	No.	3	0.135
	Potential Transformer (PT)	No.	6	0.282
	Isolator	No.	2	0.960
	Sub Total			1.867
2	132 KV S/S items			
	Circiut Breaker (CB)	No.	9	1.080
	Lightning Arrestor (LA)	No.	18	0.104
	Current Transformer (CT)	No.	12	0.420
	Potential Transformer (PT)	No.	30	1.110
	Isolator	No.	10	0.390
	Sub Total			3.104
3	33KV s/s items			
a	Circiut Breaker (CB)	No.	15	0.630
b	Lightning Arrestor (LA)	No.	66	0.132
c	Current Transformer (CT)	No.	30	0.210
d	Potential Transformer (PT)	No.	30	0.225
e	Isolator	No.	20	0.260
	Sub Total			1.457
4	Battery	Set	3	0.135
5	Battery Charger	Set	1	0.020
6	DCDB	No.	2	0.030
7	Transmission Line Items			4.305

Sl.No.	Particulars	Units	Quantity	Approx. Cost (in Rs Crs)
8	AirConditioning for s/s			
a	Lower Assam & T&T Zone			0.170
b	Upper Assam & T&T Zone			0.280
	Sub Total			0.450
	Total			**11.368**

3.4.6 The expenditure for special R&M provision of Rs 11.368 Crs is proposed to recovered over two years amounting to Rs 4.55 Crs in FY 08-09 & Rs 6.82 Crs in FY 09-10.

3.4.7 In a similar instance, an approval for special cost approval of Rs 30 Crs in Repair & Maintenance head had been accorded by Chhattisgarh State Electricity Regulatory Commission (CSERC) for Chhattisgarh State Electricity Board in FY 06-07 Tariff Order issued, viewing the age of the transformers and ensuring quality power to consumers. The abstract has been provided below for the reference of the Hon'ble Commission.

"The R&M expenses projected by the Board for distribution is on a higher side in comparison to the actual expenses incurred in the year 2005-06. This is due to a provision of Rs. 30 crore towards renovation of 6000 distribution transformers with a view to improve power supply and ensure better service. The Board has taken up renovation of distribution transformers in a big way in view of the age of most transformers. The Commissions feels that this is necessary and hence, Rs. 30 crore for renovation of the transformers is approved. However, the Board is directed to look into the cost factor closely as the estimated cost of renovation appears to be high. The expenses allowed towards regular R&M expenses is Rs. 32.5 crore which is more or less at the same level as for the year 2005-06 and works out to about 3.42% of the value of gross fixed assets of the distribution function. Hence a total Rs. 62.5 crore is allowed as R&M expenses."

3.4.8 It is pointed out that this cost for special R&M provision is only a part of the total cost that is required to be incurred and total cost cannot be recovered at a single instance as it would have large implication on the tariffs. Therefore, AEGCL has proposed to phase out this cost into a longer period and is recovering only a part of it from the ARR of FY 08-09 & FY 09-10. Based on the results of the benefit achieved from this expenditure in FY 08-09 & FY 09-10, AEGCL would seek the balance cost to be undertaken in the future years.

3.4.9 The total regular R&M expenses is estimated and allocated to each sub-head on the proportion of the R&M expenditure for each head done in FY 07-08. The cost against special provision for R&M is allocated based on the nature of expenditure as detailed in Table 3-6 above.

3.4.10 Therefore, the R&M expense for FY 08-09 & FY 09-10 estimated is shown in Table 3-7: below:-

Table 3-7: R&M Expense for FY 08-09 & FY 09-10 (in Rs Crs)

Particulars (Rs Crores)	FY 2008-09	FY 2009-10
Plant & Machinery	5.30	8.07
Buildings	0.40	0.54
Hydraulic Works	0.05	0.07
Civil Works	0.09	0.13
Lines, Cable Networks	11.00	15.10
Installation of Meters & Metering Equipments	-	-
Vehicles	0.04	0.06
Furniture & Fixture	0.22	0.32
Office Equipment	0.02	0.02
Total	**17.13**	**24.31**

3.4.11 AEGCL submits to the Hon'ble Commission that the R&M expenses as projected be approved considering the fact that the actual expenses in regard to Repair & Maintenance in the past years has been lower due to shortage of funds and a higher approval of R&M expenses would leverage AEGCL to improve the network condition.

3.5 Employee Cost

3.5.1 The employee cost is one of the vital expenditure of the utility which is very essential to maintain the performance level of the network and to increase the efficiency of the assets. The employee cost consists of the regular expenses towards the salary & other general costs incurred on the employees.

3.5.2 The regular expenses towards salary & other general costs have been projected based on a normal increment to be effected in salaries and other cost and a special provision for pay revision to be effected from 1st January 2006. The normal increment for each of the cost item is taken as 3% and the pay revision is taken as 45% from the effective date. The effect of normal increment is made on the actual base of employee expenses during FY 07-08.

3.5.3 The pay revision of 45% is assumed as per the section 14.1.20 of CERC "Explanatory Memorandum" on "Draft Terms & Conditions of Tariff Regulation, 2009-2014" and arrears in relation to expenses to be paid for the years FY 05-06, FY 06-07, FY 07-08 & FY 08-09 expected to be paid in FY 09-10. Therefore, the employees cost in FY 09-10 would consists of arrears corresponding to the arrears due to pay revision and increase in employee expenses due to pay revision in FY 09-10.

3.5.4 The arrear thus accumulated from 1st January 2006, is estimated for each year and charged to the employee cost in FY 08-09. The yearly arrear amount due is shown in Table 3-8 below:-

Table 3-8: Yearly Arrear Estimation Against Pay Revision w.e.f 01.01.06

Particulars (Rs Crores)	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09
Arrears	3.84	14.91	17.34	18.00

3.5.5 The arrear for FY 05-06 would be applicable only for 4th Quarter and rest for full year. This total arrear accumulated to an amount of Rs 54.09 Crs is booked under the head "arrears against pay revision" in the employee cost.

3.5.6 Based on the above, the estimated employee costs for FY 2008-09 and FY 2009-10 is as shown in Table 3-9 below. The Hon'ble Commission is requested to approve the expenses estimated by the AEGCL in light of the above submissions.

Table 3-9: Employee Cost FY 08-09 & FY 09-10

Particulars (Rs Crores)	FY 2008-09	FY 2009-10
Salaries	28.96	29.83
Overtime	0.22	0.23
Dearness Allowance	7.93	8.18
Other Allowances	2.85	2.94
Bonus	0.04	0.04
Sub-Total	**40.00**	**41.21**
Medical Expenses Reimbursement	0.12	0.13
Leave Travel Concession	0.03	0.03
Earned Leave Encashment	0.01	0.01
Retrenchment Compensation	0.26	0.27
Payment under Workmen's Compensation Act	-	-
Payment to Helpers/ Employeees of Storm and Monsoon Gang	-	-
Total Other staff costs	**0.42**	**0.44**
Other Staff Cost	0.00	0.00
Staff Welfare Expenses	0.04	0.04
Terminal Benefits	8.82	9.09
Provision for Pension Fund	-	-
Provision for Gratuity Fund	-	-
Arrear due revision of Pay w.e.f. Jan 08	-	54.09
Sub-total	**8.87**	**63.23**
Total	**49.29**	**104.87**

3.6 Administration & General Expenses

3.6.1 Projection for A&G expense has been based on the escalation index formulated using the Wholesale Price Index (WPI) and Consumer Price Index (CPI) as notified by the Central Government for different years. The A&G expenses is estimated based on the inflation rate arrived for above purpose from weighted average of Wholesale Price Index and Consumer Price Index in the ratio of 60:40. Accordingly, Inflation Index of 11.09% is used for estimation for FY 08-09 & FY 09-10 over the base years FY 07-08 & FY 08-09 respectively.

3.6.2 The estimation of the inflation index is given in Table 3-10 below:-

Table 3-10: Estimation of Inflation Index

Month	Wholesale Price Index			Consumer Price Index		
	2006	2007	2008	2006	2007	2008
Jan	196	209	218	119	127	134
Feb	196	209	220	119	128	135
Mar	197	210	226	119	127	137
Apr	199	212	229	120	128	138
May	201	212	231	121	129	140
Jun	203	212	237	123	130	143
Jul	204	214	0	124	132	0
Aug	205	214	0	124	133	0
Sep	208	215	0	125	133	0
Oct	209	215	0	127	134	0
Nov	209	216	0	127	134	0
Dec	208	216	0	127	134	0
Average	**203**	**213**	**227**	**123**	**131**	**138**
Inflation			**11.82%**			**10.00%**
Inflation						**11.09%**

3.6.3 Based on the above assumption the A&G expenses for FY 08-09 & FY 09-10 is arrived at which is shown in Table 3-11 below:-

Table 3-11: Administration & General Expenses FY 08-09 & FY 09-10

Particulars (Rs Crores)	FY 2008-09	FY 2009-10
Rent, Rates & Taxes	0.04	0.05
Insurance	0.03	0.03
Telephone Charges	0.30	0.33
Postage & Telegram	0.01	0.01
Legal Charges	0.00	0.00
Audit Fees	0.02	0.02
Consultancy Charges	0.16	0.18
Technical Fees & Other Professional Charges	0.00	0.01
Conveyance & Travel Charges	1.06	1.17
Other Expenses	0.63	0.70
Freight	0.02	0.02
Outsourcing of Billing and Meter Reading	0.00	0.00
Other Purchase related expenses	0.06	0.07
Assets De-commissioning Costs	0.00	0.00
Other Miscellaneous Expenses	0.00	0.00
Total	**2.34**	**2.60**

3.7 Capital Expenditure & Funding

3.7.1 The Capital Expenditure for the FY 08-09 & FY 09-10 is revised as against submitted in the Multi Year tariff Petition submitted by AEGCL for the control period FY 07-08 to FY 09-10. The revision has been undertaken after AEGCL had an agreement with PGCIL for sharing of responsibility of adding network on for the transmission in the state. The Capital Expenditure as envisaged in the Business Plan submitted, had been revised and a part of the capital expenditure would be done by AEGCL.

3.7.2 Therefore, the Business Plan submitted cannot be taken as a base document for capital expenditure plan for FY 08-09 & FY 09-10 and the revised capital expenditure along with the funding plan is summarized in Table 3-12 below:-

Table 3-12: Capital Expenditure Plan & Funding of AEGCL for FY 08-09 FY 11-12

Particulars (Rs Crores)	Funding	Total	Capex FY 08-09	Capex FY 09-10	Capex FY 10-11	Capex FY 11-12
Total : 400 KV Line	ADB					
	NLCPR/ State plan	38.15	0.04	5.72	15.26	17.13
Total : 220 KV Line	ADB	397.68	0.23	59.65	159.07	178.73
	NLCPR/ State plan	36.98	0.13	5.55	14.79	16.51
Total : 132 KV Line	ADB	163.99	0.51	24.60	65.60	73.29
	NLCPR/ State plan	205.86	0.74	33.64	83.27	88.21
Total : TRANSMISSION LINE (400+220+132)		**842.66**	**1.64**	**129.16**	**337.98**	**373.87**
Total : 400 KV Sub Station	ADB					
	NLCPR/ State plan	279.51	5.00	41.93	97.83	134.75
Total : 220 KV Sub Station	ADB	174.64	7.00	32.22	63.64	71.78
	NLCPR/ State plan	50.00	2.00	7.50	17.50	23.00
Total : 220/33 KV Sub Station	ADB					
	NLCPR/ State plan	51.59	2.25	9.61	18.81	20.93
Total : 132 KV Sub Station	ADB	384.21	16.75	57.63	134.47	175.35
	NLCPR/ State plan	242.33	9.75	43.31	91.78	97.49
Total : SUB STATION		**1182.28**	**42.75**	**192.20**	**424.02**	**523.31**
Total :220/132 KV	ADB	11.71	0.00	0.94	5.86	4.92

Particulars (Rs Crores)	Funding	Total	Capex FY 08-09	Capex FY 09-10	Capex FY 10-11	Capex FY 11-12
	NLCPR/ State plan	26.79	0.00	2.14	13.39	11.25
Total : 132/33 KV	ADB	93.09	0.00	7.45	46.55	39.10
	NLCPR/ State plan					
Total : SUB STATION AUGMENTATION		**131.59**	**0.00**	**10.53**	**65.80**	**55.27**
Total : SUB STATION + SUB STATION AUGUMENTATION		**1313.87**	**42.75**	**202.72**	**489.82**	**578.58**
Total : 220 KV Terminal Bays	ADB	13.23	0.00	1.06	6.61	5.55
	NLCPR/ State plan	4.92	0.00	0.39	2.46	2.07
Total : 132 KV Terminal Bays	ADB	11.85	0.00	0.95	5.93	4.98
	NLCPR/ State plan	20.52	0.00	1.64	10.26	8.62
TOTAL : TERMINAL BAYS		**50.52**	**0.00**	**4.04**	**25.26**	**21.22**
Reactive Compensation (Bus Capacitor or Capacitor Banks)	ADB	13.90	0.00	1.11	11.12	1.67
	NLCPR/ State plan	4.55	0.00	0.36	3.64	0.55
Total Reactive Compensation (Bus Capacitor or Capacitor Banks)		**18.45**	**0.00**	**1.48**	**14.76**	**2.21**
PLCC Line Equipments for 220 kV	ADB	6.46	0.00	0.65	5.17	0.65
	NLCPR/ State plan					
PLCC Line Equipments for 132 kV	ADB	27.68	0.00	2.77	22.14	2.77
	NLCPR/ State plan					
PLCC Line Equipments for 33 kV	ADB	6.81	0.00	0.68	5.45	0.68
	NLCPR/ State plan					
TOTAL : REFURBISHMENT		**40.95**	**0.00**	**4.09**	**32.76**	**4.09**
PLCC Line Equipments FOR 220 kV	ADB	6.70	0.00	0.00	2.01	4.69
	NLCPR/ State plan	4.23	0.00	0.00	1.27	2.96
PLCC Line Equipments FOR 132 kV	ADB	24.72	0.00	0.00	7.42	17.30
	NLCPR/ State plan	6.64	0.00	0.00	1.99	4.65
Total PLCC Line Equipments FOR 220 & 132 kV		**42.28**	**0.00**	**0.00**	**12.68**	**29.60**

Particulars (Rs Crores)	Funding	Total	Capex FY 08-09	Capex FY 09-10	Capex FY 10-11	Capex FY 11-12
PLCC Station Equipments FOR 220/132 kV	ADB	0.52	0.00	0.00	0.16	0.37
	NLCPR/ State plan	0.13	0.00	0.00	0.04	0.09
PLCC Station Equipments FOR 220/33 kV	ADB	1.01	0.00	0.00	0.30	0.71
	NLCPR/ State plan	0.87	0.00	0.00	0.26	0.61
Total PLCC Station Equipments		**2.54**	**0.00**	**0.00**	**0.76**	**1.78**
Fiber Optics	ADB	**11.74**	**0.00**	**0.00**	**10.56**	**1.17**
	NLCPR/ State plan	**12.61**	**0.00**	**0.00**	**11.35**	**1.26**
SCADA	ADB	**0.79**	**0.00**	**0.00**	**0.71**	**0.08**
	NLCPR/ State plan	**0.52**	**0.00**	**0.00**	**0.47**	**0.05**
GRAND TOTAL		**2336.92**	**44.39**	**341.50**	**937.11**	**1013.92**

3.7.3 All ADB funded capital expenditure and State Plan & NLCPR Capital expenditure is through 90% grant and 10% loan amount. The details of scheme wise expenditure and funding plan is enclosed with the petition at Annexure A. The major project schemes has been described in the section 7 in this petition.

3.8 Gross Fixed Asset

3.8.1 The Opening Gross Fixed Asset for FY 08-09 is taken from the closing drawn in the AEGCL's Provisional Annual Accounts for FY 07-08 and addition during FY 08-09 is drawn from the capital expenditure of undertaken in the year FY 08-09. Thus asset addition during the year is added to Opening balance to arrive at the closing GFA. Similar methodology is adopted for drawing the asset addition and GFA for FY 09-10.

3.8.2 The Capital expenditure done by AEGCL is assumed to be capitalized in three years from the year of capital expenditure with 60% of capitalization undertaken in the 1^{st} year, 20% in the 2^{nd} year and balance 20% in the 3^{rd} year. Accordingly, Capital Works in Progress (CWIP) is drawn for each of the years. The CWIP existing in the year FY 07-08 as per the

Provisional Annual Accounts of Rs 353.21 Crs is assumed to be capitalized in three subsequent years.

3.8.3 The asset addition during each of the years are shown separately as per the formats 'T-14 A' submitted along with the Statutory Regulatory Formats in the petition. The asset addition is further classified into different voltage levels viz. 400 KV, 220 KV, 132 KV, 66 KV, 33 KV, PLCC, Fibre optics & SCADA. The formats 'T-15' for Gross Fixed Assets as required by the Hon'ble Commission for various voltage levels has not been provided by AEGCL as the classification voltage wise assets as on 31st March 2008 is not available and can be submitted only when the asset register under preparation is completed. The Gross Fixed Asset & addition of asset is summarized in Table 3-13 in section 3.9 below.

3.9 Depreciation

3.9.1 The depreciation calculation is to be done as mandated under the clause 14 of the Terms & Conditions for Determination of Tariff Regulations, 2006. As per the provisions, the computation has to be done adopting the straight line method (SLM) with information on historical cost of assets. Further, the maximum depreciation can be claimed to a maximum extent of 90% of the book value of the asset. This information requires the date of commissioning for each and every asset created by AEGCL and requisite detailed calculation is to be done by restricting the depreciation of each asset to 90% of the depreciable amount and at the rates as specified by the Hon'ble Commission.

3.9.2 This calculation for each item of asset would be available when the asset registers are created and the complex calculation can be done only with the help of software solutions. Similar estimation of depreciation for TISCO, a licensee for the city of Jamshedpur in the State of Jharkhand has been done through the advanced ERP and SAP system available to them. If similar ERP or SAP system would have been available with AEGCL, it would have estimated the depreciation as per the regulations accurately and as required by the Hon'ble Commission.

3.9.3 In absence of such an advanced system, few approximations were done for estimation of the depreciation using the depreciation rates as provided in the tariff regulations. The opening Gross Fixed Asset as on 1st April 2005, was taken as the base fixed asset. Amount of GFA under each head was compared to the accumulated depreciation for that particular head verifying whether the amount in the assets head already been depreciated to the extent of 90% of the asset value. In case the assets were not depreciated to the extent of 90% of the asset value, then the depreciation from those assets to be charged in the year for these assets was computed using the rates prescribed by the Hon'ble Commission at the same time ensuring that the depreciation has not crossed the 90% limit. Similarly, for all the new assets created from additions in each year starting FY 05-06 to FY 09-10 has been computed as per the rates specified by the Hon'ble Commission.

3.9.4 The depreciation and the average depreciation thus arrived at by using the above methodology is shown in Table 3-13 below:-

Table 3-13: GFA, Asset Addition, Depreciation for FY 08-09 & FY 09-10

Particulars (Rs Crores)	FY 2008-09	FY 2009-10
Opening GFA	612.42	850.98
Asset Addition During the Year	238.56	284.42
Asset Deleted During the Year	-	-
Closing GFA	850.98	1,135.40
Depreciation for the Year	75.00	15.13
Average Depreciation %	12.25%	1.78%

3.10 Advance Against Depreciation (AAD)

3.10.1 Advance Against Depreciation (AAD) is allowed as per the tariff regulations for enabling the utilities to meet the liabilities against repayment of loans over and above depreciation allowed. AAD is allowed as a difference of maximum 1/10th of the total loan repayment and the depreciation charged during the year. However, the same is allowed only to an extent of difference between cumulative loan repayment and cumulative depreciation.

3.10.2 The estimation of normative AAD as per the tariff regulations is detailed in Table 3-14 below.

Table 3-14: Normative AAD Estimation as per the Tariff Regulations

Particulars (Rs Crores)	FY 2008-09	FY 2009-10
1/10 of Loans	23.08	17.31
Repayment of Loans during the year	75.00	13.67
Minimum of (1,2)	23.08	13.67
Depreciation during the year	7.29	15.13
AAD	**15.79**	**-**

3.10.3 Table 3-14 above shows that the actual repayment in FY 2008-09 is very high and the AAD estimation done are not sufficient to meet the same. It is humbly submitted that the loan repayment is necessarily to be done by AEGCL and cannot be dishonoured. Therefore, it is submitted that AEGCL is left with no funds to repay this loan as there is no other source which can compensate this repayment due. The actual repayment of loans would put AEGCL in severe liquidity crisis and funds would not be available to undertake other activities expected from the transmission company. Therefore, it is submitted to the Hon'ble Commission that the gap envisaged after considering the actual repayment and the depreciation charged during the year be considered for approval of the AAD, without any cap. Based on the above, the AAD which is proposed for FY 08-09 & FY 09-10 is shown in Table 3-15 below:-

Table 3-15: Proposed AAD FY 08-09 & FY 09-10

Particulars (Rs Crores)	FY 2008-09	FY 2009-10
Repayment of Loans during the year	75.00	13.67
Depreciation during the year	7.29	15.13
AAD	**67.71**	**-**

3.11 Interest cost & Finance Charges

3.11.1 The interest cost for AEGCL comprise of components as below:-

a) Interest cost on loans
   i. Interest cost for loans outstanding as on 31st March 2008;
   ii. Interest Cost on Loans drawn during FY 08-09 & FY 09-10;
b) Interest working Capital borrowing
c) Interest on General Provident Fund
d) Other bank charges

3.11.2 The loans outstanding as on 31st March 2008, consists of loans drawn from State Government, ADB, PFC and bonds. The loan statement for FY 07-08, FY 08-09 & FY 09-10 is drawn as per the terms and conditions of the loans issue considering the loan redeemed for each year and thus drawing the closing balance. The statement of loans for outstanding loans as on 31st March 2008 is shown in Table 3-16 below:-

Table 3-16: Loans Outstanding on 31st March 2008

Particulars (Rs Crores)	Interest Rates	FY 2007-08
Interest on State Govt Loans	10.50%	129.39
Penal Interest	2.75%	-
Interest on ADB Loan	10.50%	21.95
Interest on Bonds	11.50%	60.73
Interest on PFC Loan	11.00%	18.73
Total		**230.80**

3.11.3 The loans drawn from ADB have a repayment due from 31st March 2009 for ten equal yearly repayments after the close of loan disbursement on 31st March 2008. The loans from PFC have two installments drawn during FY 06-07 with interest rate of 10.75% for the first installment and an interest rate of 11.25% for the 2nd installment with quarterly repayments. The state government loans have an interest rate 10.50% normal interest and penal interest of 2.75%. The interest rate of bonds is 11. 50% and has redemption dates on FY 08-09.

3.11.4 Based on the actual terms and conditions for each of the loan the interest cost for outstanding loans as on 31st March 2008 is estimated for the FY 08-09 & FY 09-10. The interest cost for loans outstanding on FY 31st March 2008 is shown in Table 3-17 below:-

Table 3-17: Interest on Loans Outstanding as on 31st March 2008

Particulars (Rs Crores)	Interest Rates	FY 2008-09	FY 2009-10
Interest on State Govt Loans	10.50%	13.53	13.55
Penal Interest	2.75%	0.54	0.90
Interest on ADB Loan	10.50%	0.78	0.78
Interest on Bonds	11.50%	5.03	-
Interest on PFC Loan	11.00%	2.01	1.46
Total		**21.90**	**16.70**

3.11.5 The interest cost for new loans drawn against capital expenditure for FY 08-09 & FY 09-10 is estimated based on the loan drawl during the respective years through the actual funding scheme proposal. The new capital expenditure proposed is either funded from ADB or State Plan/NLCPR. The fund scheme proposed is as in Table 3-18 below:-

Table 3-18:- Funding Scheme for New Capex in FY 08-09 & FY 09-10

Fund Source	Grant	Loan	Interest Rate for Loan
ADB Fund	90%	10%	10.50%
State Plan / NLCPR	90%	10%	10.50%

3.11.6 Based on the above funding scheme specified, grant and loan amount is classified for each of the project schemes. The details of the project schemes and the bifurcation of funds into grants & loans are described in the Annexure A. The loan drawn during the respective year is added to the opening balance as for FY 08-09 & FY 09-10 respectively. Based on the actual fund requirement the loan drawl schedule is made. The loan proposed to be drawn for FY 08-09 and FY 09-10 is shown in Table 3-19 below.

Table 3-19: Loans Drawn for New Capex in FY 08-09 & FY 09-10

Particulars (Rs Crores)	Interest Rates	FY 2008-09	FY 2009-10
State Plan/ NLCPR	10.50%	1.99	15.18
ADB	10.50%	2.45	18.97
Total		**4.44**	**34.15**

3.11.7 Based on the schedule of loan drawl the interest cost is estimated which is in addition to the interest cost on loan outstanding as on 31st March 2008. Therefore, the interest cost for new loans in FY 08-09 & FY 09-10 is shown in Table 3-20 below:-

Table 3-20: Interest Cost on Loans for New Capex for FY 09 & FY 10

Particulars (Rs Crores)	Interest Rates	FY 2008-09	FY 2009-10
State Plan/ NLCPR	10.50%	0.21	1.80
ADB	10.50%	0.26	2.25
Total		**0.47**	**4.05**

3.11.8 The Hon'ble Commission in the Tariff Order FY 07-08 disallowed the interest cost on actual loans on the rationale that AEGCL did not have loans as on 01-04.2007. The statutory formats T9 for loans drawl, repayment and Interest cost is enclosed for FY 06-07, FY 07-08 & FY 08-09.

3.11.9 The loans drawn before 31st March 2008 are used against capital expenditure for the respective years and interest cost against these loans is a pertinent cost of the transmission utility. This cost, if disallowed would create liquidity issues for the company and would lead to lower investment in the augmentation & up gradation of the network. This would also affect the stability and availability of the network. Though the Terms & Conditions for Tariff Regulation, 2006 specify that the interest cost is to be allowed as per the normative debt: equity of 70:30, the actual debt taken by AEGCL is not as per the regulation. The funding is majorly done through loans and grants.

3.11.10 AEGCL has not earned any profit in its past years and is not able to invest equity funds for the projects. AEGCL majorly depends on the funds taken from financial institution for system up gradation and new projects. Major amount of the funds received is as mix of grant and loans with 90% grant & 10 % loan for all ADB funded projects.

3.11.11 AEGCL would like to submit that while the regulations have put a cap on the amount of equity to be considered for tariff, no such cap is there on the funding through loans/grants as typically the cost of equity is considered to be higher than the cost of loans. Therefore, the interest on actual loan drawl needs to be allowed for the benefit of the consumers in the state. Therefore, AEGCL submits to the Hon'ble Commission to approve the interest on term loans as submitted. The instance of other State Electricity Regulatory Commissions (SERC) has been stated to substantiate the claim. The Maharashtra Electricity Regulatory Commission (MERC) has also allowed the interest cost on actual loan drawl for the previous years. The relevant paragraph is quoted below for reference:-

*"MSETCL has proposed **interest expense corresponding to existing loan** comprising loan from LIC, Public bonds, REC, PFC and other market borrowings. Further, MSETCL has proposed to **finance its new capital***

***expenditure schemes with a debt:equity ratio of 80:20 with** debt to be financed primarily from the Financial Institutions such as PFC and REC. Further, it has proposed that the fresh drawals from PFC and REC will have moratorium period of 2 years and 3 years respectively, and the interest rate is estimated to be 11% p.a. and 10.9% p.a., respectively.*

***The Commission has considered the means of finance and other terms for existing loans and new loans as proposed by MSETCL**."*

3.11.12 Interest on Working Capital is estimated on normative basis as per the tariff regulations provisions and as allowed in the Tariff order FY 07-08. The interest rate is taken as 13.75% as per the present SBI PLR rate and the proposed interest on working capital is computes as shown in Table 3-21 below:-

Table 3-21: Interest on Working Capital FY 08-09 & FY 09-10

Particulars (Rs Crores)	FY 2008-09	FY 2009-10
One Months O&M	5.73	10.98
Spares @ 1% of GFA	6.12	8.51
Receivables -Two months of Transmission Charges	84.52	91.01
Total Working Capital	**96.38**	**110.50**
	-	-
Interst rate at SBI PLR	13.75%	13.75%
	-	-
Interst on Working Capital	**13.25**	**15.19**

3.11.13 Other interest & Finance Charges are on account of cost of raising finance from the bank and interest to be paid to employees for their contribution in General Provident Fund. The contribution by the employees in the GPF has to be provided an interest cost and the same is being borne by AEGCL. Therefore, this cost cannot be avoided and it is requested to Hon'ble Commission that costs have to be reimbursed to AEGCL. AEGCL submits the estimate for recovery of interest on GPF at an interest rate of 8% and other finance charges is as provided in Table 3-22 below:-

Table 3-22: Other Interest & Finance Charges FY 08-09 & FY 09-10

Particulars (Rs Crores)	FY 2008-09	FY 2009-10
All bank charges	0.34	0.32
Interest on General Provident Fund	3.47	3.57
Total	**3.82**	**3.88**

3.11.14 Therefore, the total interest cost chargeable to the ARR is estimated by summing interest cost on term loans, interest cost on working capital, interest cost on General Provident Fund and bank charges. The summary of interest and finance charges proposed for FY 08-09 & FY 09-10 is shown in Table 3-23 below:-

Table 3-23: Interest & Finance Charges FY 08-09 & FY 09-10

Particulars (Rs Crores)	FY 2008-09	FY 2009-10
Interest on Loans		
Interest on State Govt Loans	13.73	15.35
Penal Interest	0.54	0.90
Interst on ADB Loan	0.26	2.25
Interest on Bonds	5.03	-
Interest on PFC Loan	2.01	1.46
Total Interest on Loans	**21.58**	**19.97**
Interest on Working Capital	**13.25**	**15.19**
Other Finance Charges		
All bank charges	0.34	0.32
Interest on General Provident Fund	3.47	3.57
Total Other Finance Charges	**3.82**	**3.88**
Total	**38.65**	**39.04**

3.12 Special Charges on Bulk Supply Tariff (BST) – Terminal Benefits

3.12.1 The Government of Assam vide Notification No. PEL.190/2004/69 dated 4th February 2005 notified the plan for funding the terminal benefit liability for past and future employees retiring from ASEB and its successor companies. The funding plan as per the notification was based on the actuarial valuation for the employees. The **funding plan for Past Unfunded Terminal Benefits** as notified is described below:-

a) An amount of Rs 45 Crs as inflows for the year FY 2004-05 and FY 2005-06 from the AGPRMP program loan.
b) Interest from existing fund of Rs 88.7 Crs at ASEB Pension and CPF trust.
c) Electricity Duty @ 5 paisa per unit.
d) Special charge on Bulk Supply Tariff/Transmission Tariff to meet past unfunded liability subject to AERC approval.

As advised by finance department, Power Department will explore the possibility of imposing a special charge of 20 (twenty) paisa, 15 (fifteen) paisa, 10 (ten) paisa, 5 (five) paisa or nil charge per unit (in that order). This will be subject to the final dispensation to AERC approval.

e) Budgetary support from GoA to meet any shortfall.

3.12.2 In addition to the above, when the companies turnaround and they have cash surplus after duly meeting there obligations including contributing to the pension fund for future services, the companies will contribute a maximum of 50% of their cash surplus towards funding of past unfunded liabilities till the time mutually agreed between GoA and new companies.

3.12.3 The **funding plan of Terminal Benefits for Future Services** would be through contribution of 22.79% of the employee's Basic + DA till they retire every month.

3.12.4 As per the actuarial valuation report the fund requirement at net present value amounts to Rs 2169 Crs which is to be funded partly by the Special charge on Bulk Supply tariff. The Hon'ble Commission had approved 10 paisa per unit as special charges on Bulk Supply Tariff – Terminal benefits as per the Tariff Order FY 07-08.

3.12.5 The notification for pension trust also provides for the GPF fund amounting to Rs 385 Crs which is to be funded from the Pension Trust Fund. The pension trust fund is not fully funded and cannot take care of the GPF fund. Therefore, the utilities is in the process of creation of GPF fund separately delinking it from the pension trust fund and providing for funding it through a mechanism to be finalized shortly. This funding mechanism would be shortly finalized and expected to be notified by the Government of Assam. Therefore, in addition to the existing provision of special charges on BST another 10 paisa per unit is proposed to be recovered. The special charges on BST – Terminal benefits proposed for funding Pension trust Fund and GPF amounts to Rs 20 paisa per unit on bulk supply to Distribution Companies. AEGCL submits to the Hon'ble

Commission to consider the above increase in the charges and approve it in anticipation of the notification of GoA.

3.12.6 In addition to the current provision for Special Charges on BST there is a shortfall in fund contribution from FY 05-06 onwards in the Pension Trust Fund. The shortfall in the fund for each year is provided in Table 3-24 below:-

Table 3-24: Shortfall of funds in Pension Trust Fund

Years	Shortfall (Rs Crores)
FY 2005-06	52.35
FY 2006-07	2.75
FY 2007-08	14.12
FY 2008-09	49.67
Total	**118.89**

3.12.7 The variation in the actual payment towards pension trust fund payment against the estimated as per the actuarial valuation has lead to a shortfall in the funding of the fund. The estimation of the yearly shortfall is provided in Annexure B. The shortfall for FY 07-08 & FY 08-09 amounting to Rs 63.79 Crores is proposed to be recovered through the ARR of FY 09-10 and shortfall for FY 05-06 & FY 06-07 amounting to Rs 55.10 Crores is proposed to be recovered from ARR of FY 08-09. AEGCL submits to the Hon'ble Commission that this shortfall amount may be approved for recovery as submitted.

3.12.8 The recovery from Special Charges on BST is estimated as in Table 3-25 below:-

Table 3-25: Estimation of Special Charges on Bulk Supply Tariff (BST) – Terminal Benefits

Particulars (Rs Crores)	FY 2008-09	FY 2009-10
Special Charges on BST for Funding Pension Trust @ 10 Paisa per unit	42.53	51.8
Special Charges on BST for GPF @ 10 Paisa per unit	42.53	51.8
Shortfall for FY 05-06 & FY 06-07	55.10	
Shortfall for FY 07-08 & FY 08-09		63.79
Total	**140.16**	**167.39**

3.12.9 Though this additional 10 paisa recovery through special charges on BST is proposed to be recovered from ARR and tariff, it is submitted that if the State Govt provides with requisite funds it would not necessitate recovery from ARR. Depending on the decision of the State Government this additional cost need to be loaded in the ARR. AEGCL submits to the Hon'ble Commission to approve the above fund requirement from the ARR of FY 08-09 & FY 09-10 as submitted and true up if the GoA funds the requirement.

3.13 Other Expenses

3.13.1 The other costs which are chargeable to Profit & Loss Account are:-

a) Other Debits.
b) Prior Period Charges.
c) Extra Ordinary Payments.
d) Provision for taxes.

3.13.2 Other debits consists of miscellaneous losses written off and deferred revenue expenditure written off. The other debits as in Provisional Annual Accounts FY 07-08 amounts to Rs 0.40 Crores which have been considered at the same level in FY 08-09 & FY 09-10.

3.13.3 The prior period charges were chargeable to P&L account in FY 06-07 in FY 06-07 but were not existing in FY 07-08, therefore, the same have been considered as nil for FY 08-09 & FY 09-10.

3.13.4 Extra Ordinary Payments amounting to Rs 10.87 Crores on account of De-pooling Charges PGCIL as per CERC order were charged to the P&L account in FY 06-07. However, the same were not charged in FY 07-08. And hence have been considered as nil in FY 08-09 & FY 09-10.

3.13.5 Provision for taxes is on account of Fringe Benefit Tax (FBT) and is estimated as a percentage of taxable items. Based on the same, the estimated for FY 08-09 and FY 09-10 is Rs 0.11 Crores for each year.

3.13.6 The other expenses thus projected are shown in Table 3-26 below:-

Table 3-26: Other Expenses Projected For FY 08-09 & FY 09-10

Particulars (Rs Crores)	FY 2008-09	FY 2009-10
Other Debits	0.40	0.40
Prior Period Charges	-	-
Extra Ordinary Payments	-	-
Provision for Taxes	0.11	0.11
Total	**0.51**	**0.52**

3.14 Return on Equity

3.14.1 The return on equity allowable to a transmission licensee as per the Terms and Conditions for Determination of Tariff Regulation, 2006, is 14% on equity base. This return allowed to the transmission utility is to be added to the annual revenue requirement as cost as cost element.

3.14.2 The capital expenditure proposed for FY 08-09 & FY 09-10 is totally funded through loan and grants component received from various financial institutions and state government. Hence, there is no addition to the equity of AEGCL and the same remains constant at to Rs 99.39 Crs for FY 08-09 & FY 09-10.

3.14.3 The equity estimation is shown in Table 3-27 below:-

Table 3-27: Return on Equity Estimation

Particulars (Rs Crores)	FY 2008-09	FY 2009-10
Equity Base	99.93	99.93
Return on Equity @ 14%	13.99	13.99

3.15 Other Income

3.15.1 The income other than from the transmission & wheeling of power to a transmission utility is accounted as the "Other Income" and goes in reducing the total Annual Revenue Requirement of the licensee. The other income accrued is majorly on account of interest income from temporary investments done by AEGCL on Fixed Deposits, Sale of Scrap, rebate received etc.

3.15.2 AEGCL submits that the investments done in fixed deposit are only through the funds which are available for expenditure and is not a surplus fund. AEGCL adopts a specialist treasury management system to earn a meager income from temporary parking of funds in fixed deposit of very short period. This income should not be considered as other income from normal transmission business but a special effort taken for management of fund. It is requested that AEGCL is allowed to retain this additional income and not set off with the ARR as it is an income earned from the special efforts of AEGCL.

3.15.3 There was an income from sale from scrap during FY 05-06 & FY 07-08 but not in FY 06-07. However, it was not there in FY 06-07. Therefore, there is uncertainty of income from this element and hence the same cannot be taken as regular income to AEGCL. Therefore, income from sale of scrap has been projected to be nil for FY 08-09 & FY 09-10. Other items are projected to be constant amount as in FY 07-08 and increase in these income parameters is not anticipated.

3.15.4 The rebate received from PGCIL in FY 07-08 is Rs 2.07 Crs, which is also an uncertain income, as this rebate is at the discretion of PGCIL management. Therefore, the same amount of rebate is maintained for FY 08-09 & FY 09-10.

3.15.5 The Other Income thus estimated is summarized in Table 3-28 below:-

Table 3-28: Other Income

Particulars (Rs Crores)	FY 2008-09	FY 2009-10
Interest on House Building Advance to Staff	0.00	0.00
Interest on investment in form of fixed deposit in banks	-	-
Delayed payment charges from consumers	-	-
Rebate received from PGCL	2.07	2.07
Rebate received for timely payment of dues of loan, interest, etc.	-	-
Income from sale of scrap	-	-
Income from Trading	-	-
Misc.Receipts	0.77	0.77
Rent from Residential Buliding	0.03	0.03
Total	**2.88**	**2.88**

4 ARR for Transmission & Wires Business

4.1.1 Taking into account all the cost items, return and other income, the Annual Revenue Requirement for FY 08-09 and FY 09-10 is estimated at Rs 504.50 Crores and Rs 543.44 Crores. In addition to the same, true up value of Rs 65.60 Crs for FY 06-07 & Rs 52.50 Crs for FY 07-08 is proposed be recovered from the ARR of FY 08-09 & FY 09-10.

4.1.2 As the true up amount is large and in order to avoid huge cost implication on the consumers in a single year, AEGCL has proposed to recover the amount in two years with recovery of Rs 59.05 Crs & Rs. 67.17 Crs in FY 08-09 & FY 09-10. As half of the true up amount is proposed to be carried forward to next year, it is proposed that an additional carrying cost @ 13.75% equivalent to SBI PLR is proposed to be recovered. This carrying cost is proposed to compensate the utility for late recovery of its legitimate expenses which has a cost implication on the utility. Further, the National Tariff Policy also on similar lines proposed to compensate the utilities in case of creation of Regulatory Assets. The relevant paragraphs is re-produced below:-

"8.2.2. The facility of a regulatory asset has been adopted by some Regulatory Commissions in the past to limit tariff impact in a particular year. This should be done only as exception, and subject to the following guidelines:

a. The circumstances……….

b. Carrying cost of Regulatory Asset should be allowed to the utilities;"

4.1.3 Therefore, based on the above, the total Annual Revenue Requirement for Transmission & wires business is shown component wise in Table 4-1 below:-

Table 4-1: ARR FY 08-09 & FY 09-10 for Transmission / Wires Business

Particulars (Rs Crores)	FY 2008-09	FY 2009-10
Energy Available at Interface Point (MU)	4501	5481
Sale of Power (Sale to Discom) (MU)	4253	5180
Loss (MU)	248	301
Loss (%)	5.82%	5.81%
Expenditure		
PGCIL Transmission & NERLDC Charges	113.90	113.90
Repairs & Maintenance	16.15	23.32
Employee Cost	48.79	103.83
Admin & General	2.30	2.56
Depreciation	6.54	14.98
Advance Against Depreciation	67.71	0.00
Interest & Finance Charges	38.26	38.65
Less: Interest & Other Expenses Capitalised	0.00	0.00
Other Debits & Extra Ordinary Payments	0.40	0.40
Provision for Taxes	0.11	0.11
Special Charges on BST - Terminal Benefits	140.16	167.39
Net Prior Period Credit/Charges	-	-
Total Expenditure	**434.33**	**465.16**
Add: Return On Equity	13.99	13.99
Less: Other Income	2.88	2.88
True Up	59.05	67.17
Total ARR	**504.50**	**543.44**

5 ARR for SLDC Operations

5.1.1 The Annual Revenue Requirement for operation & maintenance of State Load Despatch Centre (SLDC) is estimated for the elements as specified under the Terms & Conditions for Determination of Tariff Regulation, 2006.

5.1.2 The Operation & maintenance cost has been projected as per the estimated amounts in the budget formulated & approved by AEGCL. Therefore, Repair & Maintenance, Employee Cost and Administration & General Expenses have been taken as budgeted estimates.

5.1.3 The depreciation and interest & finance charges are apportioned to SLDC and the quantum is equivalent to 1% of the total amount under these elements estimated for AEGCL.

5.1.4 Therefore, the proposed ARR for SLDC is shown Table 5-1 below:-

Table 5-1: ARR FY 08-09 & FY 09-10 for SLDC

Particulars (Rs Crores)	FY 2008-09	FY 2009-10
Expenditure		
Repairs & Maintenance	0.99	0.99
Employee Cost	0.49	1.04
Admin & General	0.04	0.04
Depreciation	0.75	0.15
Interest & Finance Charges	0.39	0.39
Total Expenditure	**2.65**	**2.61**
Total ARR	**2.65**	**2.61**

6 Transmission & SLDC Charges

6.1 Transmission for Long term Open Access Consumers & Distribution Companies

6.1.1 The monthly transmission charge payable by the long term open access consumers or DISCOMs is proposed as below:

$$\mathbf{TC = \frac{Transmission\ ARR}{(12*TCC)}}$$

Where,
TC: Transmission Charge in Rs./KW/month
TCC: Total Contracted Capacity of the transmission system by all long term open access customers including DISCOMs. For the estimation of Transmission Charges the peak demand of 868.9 MW for the distribution companies in FY 07-08 is considered.

Therefore, Transmission Charges proposed for FY 08-09 & FY 09-10 is as shown in Table 6-1 below:-

Table 6-1: Transmission Charges for Long Term Open Access Consumer

Transmission Charge	FY 2008-09	FY 2008-09
Long Term Open Access Consumers (Rs / kw / month)	483.85	521.20

6.2 Transmission Charges for Short Term Open Access Consumers

6.2.1 The transmission charges for short term open access are proposed as below:-

$$\text{Short Term Rate (ST\_Rate) per day} = \frac{\text{Transmission ARR}}{\text{Annual Maximum Peak*365}}$$

Therefore, Short Term Rate proposed is shown in Table 6-3 below:-

Table 6-2: Transmission Charges for Short Term Open Access Consumer

Transmission Charge	FY 2008-09	FY 2008-09
Short Term Open Access Consumers (Rs / MW / day)	15907.30	17135.19

6.2.2 The Annual Maximum Peak for the calculation of Short Term Rate is taken as actual peak demand reached for FY 07-08, i.e, 868.9 MW.

6.2.3 The transmission charges for long term and short term open access consumers are proposed as above, however, the total Annual Revenue Requirement of the State Transmission Utility has to be recovered from the three distribution companies. The allocation of charges to the Distribution Licensees is shown as outlined in the next section.

6.3 ARR Allocation to Distribution Companies

6.3.1 The Intra-state transmission charges are to be paid by the three Distribution Companies for the energy injection metered at the interconnection points. Therefore, the energy proposed to be purchased for each distribution companies would form the base for allocation of the ARR in the proportion of the energy purchased. The allocation for ARR to each distribution companies is given in Table 6-3 below:-

Table 6-3: ARR Allocation to Three Distribution Companies

Transmission Charges Recoverable From Discoms					
Distribution Licensees	FY 2007-08 Approved	FY 2008-09		FY 2009-10	
	Amt in Rs.Crs	Energy Purchased (Mus)	Amt in Rs.Crs	Energy Purchased (Mus)	Amt in Rs.Crs
LAEDCL	87.21	1913.85	227.02	2538.20	266.29
CAEDCL	57.27	1105.78	131.17	1243.20	130.43
UAEDCL	64.92	1233.37	146.30	1398.60	146.73
Total	**209.40**	**4253.00**	**504.50**	**5180.00**	**543.44**

6.3.2 It is proposed that total ARR is recoverable from the three distribution companies and would be recovered as fixed charges and any additional revenue from short term open access can be adjusted against the Transmission ARR whenever the revenue from short term open access is actually accrued.

6.4 SLDC Charges

6.4.1 The ARR of SLDC is to be recovered fully from the three distribution companies for meeting the operation & maintenance costs of the SLDC instrumental for scheduling and dispatching of power in the state.

6.4.2 Therefore, the ARR of SLDC is allocated to each distribution companies in the percentage share of the proposed energy purchased. The ARR allocated for FY 08-09 & FY 09-10 is thus given in Table 6-4 below:-

Table 6-4: Allocation of SLDC Charges to Distribution Companies

SLDC Charges Recoverable From Discoms				
Distribution Licensees	FY 2008-09		FY 2009-10	
	Demand (MW)	Amt in Rs.Crs	Demand (MW)	Amt in Rs.Crs
LAEDCL	424.00	1.10	424.00	1.09
CAEDCL	278.00	0.72	278.00	0.71
UAEDCL	316.00	0.82	316.00	0.81
Total	**1018.00**	**2.65**	**1018.00**	**2.61**

7 Performance Improvements Measures

7.1 Loss Improvement Measures

7.1.1 The Hon'ble Commission in its Tariff Order FY 07-08 has taken into record that AEGCL has shown marked improvement in its performance. It has been making major efforts to bring down the transmission losses benefiting the consumers in turn. There were various steps taken to bring down the losses which have been outlined in subsequent paragraphs and is further geared up for the coming years to keep carrying forward this improvement trend.

7.1.2 The various steps taken include:-

a. Installation of additional Transmission lines and sub stations.
b. Installation of reactive compensators/shunt capacitors.
c. Up-gradation of lines to higher voltages.
d. Up-gradation of the capacity of the conductors.
e. Replacement of defective meters and installation appropriate accuracy class meters.

7.1.3 The energy audit is also being undertaken through the SLDC for all metering points but the results of the energy audit are still not accurate as all the meters are not appropriate and accurate. Therefore, AEGCL is in the process of installation of new meters and replacement of defective & inaccurate meters. The efforts in undertaking the energy audit would be continued and as soon as all metering points provide accurate data, the results would be accurate and would become a base line figure for fixing loss target reduction.

7.1.4 AEGCL has also taken up a proposal for major repair & maintenance for the entire old substation for which a special expenditure approval over and above the normal expenditure is sought from the Hon'ble Commission. The details of repair & maintenance work are provided in the section 23 above. Through this R&M work the substation reliability & losses levels would improve and reduce the frequent tripping problems.

7.1.5 AEGCL is also in the process of undertaking major capital expenditure work through ADB & State Government funding support for transmission lines & substation. The detailed list for capital expenditure is provided in the Annexure A. The description of major substations & lines are provided in the section followed.

7.2 Transmission Lines & Substations

7.2.1 The capital expenditure proposed to be undertaken for substation and transmission lines are mostly to augment the capacity arising due to higher demand from the system and for providing interconnection from the new power plants. This addition of network and substation would also cater to improvement in loading condition of the present substations.

7.2.2 The capital expenditure is planned and is being undertaken is for:-

a. Reducing the load on existing sub stations and transmission lines for reducing loss level.
b. Meeting the demand growth.
c. Reducing the loading on connecting feeders to maintain better voltages.
d. Improving system reliability.

7.2.3 A brief description of major schemes of the capital expenditure is provided below.

Table 7-1: Major Project Schemes Under Capital Expenditure

Sl. No.	Scheme Detail	Description
1.	400/220/33 KV, 2 X 315 MVA and 220/33 KV, 2X40 MVA Azara Sub-Station with LILO at Azara of 400 KV D/C Tripura (Pallatana) – Harigaon (PGCIL) line and LILO of 220 KV D/C BTPS Agia – Sarjusajai line along with line terminal bays for LILO of 400 KV line, LILO of 220 KV D/C BTPS Agia – Sausajai line & 220 KV D/C Rangia – Azara line	a) Azara 400/220/33 KV sub-station is proposed to draw power from the proposed Tripura (Pallatana) 740 MW Gas Based Power Station through LILO of 400 KV D/C Tripura – Harigaon line. b) This substation will also provide an alternate source to evacuate major portion of Assam share in Subanshiri Hydro Project and share from other hydro projects in the northern part of North Eastern Region under construction. c) The sub-station would cater to most important load centre of NE region – Guwahati with an aim of having a 220 KV ring circuit around Greater Guwahati with an alternate source of power for reliable power to Guwahati.
2.	• 220/132 KV, 2X 160 MVA Rangia Sub-Station with 220 KV D/C 400/220 KV Rangia S/S – 220/132 KV Rangia s/s line and 220 KV & 132 KV line terminal bays. • 220 KV D/C 220 KV Rangia (AEGCL) – BTPS line.	a) This substation is proposed to be constructed near the existing 132/33 KV Rangia sub-station. b) This augmentation of sub-station is done under ADB funding as these are fast growing load centres. c) The line is required to link 220/132 KV BTPS s/s with the proposed 220/132 KV Rangia sub station.
3.	132/33 KV, 2X25 MVA Behiating (New Dibrugarh) Sub Station	a) Dibrugarh town situated on the bank of river Brahmaputra and the District Headquarters is a centre for commercial, educational activities and is also growing at rapid rate compared to other parts of the state. b) The load demand which was suppressed appears to be increasing quite fast and is expected to touch 50 MW by 2011-12. c) This will ease the existing 132/66/33 KV Dibrugarh Substation.

Sl. No.	Scheme Detail	Description
		d) A Gas cracker project is also coming up near Behiating and some ancilliary industries are likely to come up in this area. The sub station is expected to handle a load demand of 17 MW.
4	220/132 KV, 2X100 MVA Sonabil Sub Station	a) This Sub Station is proposed for evacuation of power from the Balipara (PGCIL) 400/220 KV Sub Station and distribute to the 132 KV Sub Stations at Depota, Gohpur, Biswanath Chariali, North Lakhimpur, Dhemaji etc so as to ensure reliability and improvement in quality of power supply on the northern bank of the Brahmaputra.
5	220/132 KV, 2X100 MVA Sub Station	a) The development of Guwahati City is moving on the fast track in all directions and rapid industrialization is taking place on the northern bank of Brahmaputra. b) The lone 132/33 KV Sub Station at Amingaon anticipated load demand of over 80 MW will not be sufficient to cater to this demand and so a few more 132/33 KV s/s are proposed to be constructed nearby necessitating the construction of 220/132 KV Sub Station.

7.3 Reactive Compensation

7.3.1 The reactive compensation is to be required in the electrical networks to maintain the reactive energy flow and appropriate power factor. Therefore, the installation of reactive compensators would reduce the line losses and improve the voltage profile. AEGCL is currently under the process of installation of Bus Capacitors and capacitor banks which are being installed at various locations such as the:-

a) Pailapool S/S;
b) Gohpur S/S
c) Garmur S/S
d) Sishugram S/S
e) Nazira
f) Panchgram
g) Kahilipara
h) CTPS
i) Barnagar
j) Dhemaji
k) Golaghat
l) Bokajan

7.4 PLCC, Fibre Optics & SCADA

7.4.1 AEGCL has proposed implementation of advanced system of Supervisory Control and Acquisition of data (SCADA) through which the remote sub stations can be monitored on a real time basis at a central location and can be under continuous observation.

7.4.2 The SCADA can also facilitate remote operation of the substations from the central location giving option to AEGCL to keep few substations unmanned saving cost of employees against the operation and maintenance.

7.4.3 The SCADA system would require communication systems which would be provided by Fibre Optics laid down by utilization of the huge right of way available with AEGCL. A part of the fibre optics is proposed to be utilized for earning revenue by giving right to use to the telecom companies. Therefore, the capital expenditure would not only give benefit to AEGCL in terms of improved operation & maintenance, monitoring and supervision but also provide additional revenue.

7.5 Modern Management Techniques

7.5.1 The state power utilities in the country have been following the management techniques which had been inherited from the erstwhile monolithic SEB's which had been in existence for many years. The country has seen reforms taking place in the sector and introduction of modern techniques to cater to the changed business environment after the enactment of Electricity Act 2003. The changed business environment has lead to the requirement of change management within AEGCL and rethinking of strategies to improve the performance. There is also a need to involve the staff in the change management activities to ensure their involvement and thus increase accountability.

7.5.2 AEGCL is in the process of brainstorming for introduction of the better management techniques. As a part of this effort it is in the process of proposing introduction of **"Quality Circles"** for the each of the transmission circles. The quality circle concept has been implemented in most of the advanced corporate entities where in each business circle is provided authority to analyze each processes and activities of the localized area/circle. The quality circle through its leader with the involvement of the executioners analyses the issues and problems in the activities and the requisite solutions to it so that the performance of the circle can be improved. These issues and solutions are presented before the management for implementation and a decision in this regard is being sought.

7.5.3 Thus, introduction of these techniques bring forward all the problems being faced onsite to the management and a faster decision making process takes place. The involvement of the people in the decision making process also brings in accountability and job responsibility of the execution staff. Therefore, the action plan decided is implemented at a better pace through the whole hearted involvement of the execution staff. This brings in huge improvement in the performance of the organization.

7.5.4 AEGCL would also like to introduce measures for loss accountability in order to achieve higher loss reduction. It would carry out a feasibility study for implementation of **"Substation & Lines loss accountability"**.

Through this methodology adoption, the base loss figures from the recorded energy data is assigned as base line for performance and target improvement set for appropriate time period. The Substation in-charge would be responsible for achieving this target and an incentive may be designed against achievement of the target. Therefore, such **"Key Performance Indicators" (KPI)** may be designed for each quality circle and the in-charge of the sub-station would on his own undertake activities like regular maintenance and special maintenance to achieve the targets.

7.5.5 The fault occurrence and the action taken on these faults are recorded through the manual data logging system available at the substations. The data is available at the substations and is submitted to the management on monthly basis. This data is further analyzed for major faults and any further corrective action against anticipation of major maintenance for the network is being advised by the Meter-Relay-Testing (MRT) department. Therefore, although major faults are captured by the management there may be chances that few minor fault occurrences which can gradually convert into major faults is overlooked. As transmission network is backbone for the distribution of power in the state and a fault for a short duration on even a short span of network may affect the distribution companies to supply power to large area of supply. Therefore, AEGCL feels that it is the responsibility of the transmission company to keep there network available on 24 hours basis and attain 100% availability through zero fault occurrence. Therefore, the entire fault occurrence is to be monitored and analyzed on a day to day basis on a centralized manner. This action is proposed to be taken up in the coming years through support of data/information flow on a day to das basis facilitating the analysis and immediate corrective actions.

7.5.6 The various management techniques require an active **"Management Information System (MIS)"** which would be the base raw material for all these actions to be taken. The MIS is to be designed in a very appropriate manner so that appropriate information is passed on to various levels of management based on the action expected from the each level of management. The MIS would capture technical and financial data, so that there can be control on technical performance parameters, Expenditure Control, Manpower utilization & effectively, incentivisation to employees on achieving of targets, etc. The data for formulating the MIS would be initially created manually through computer data entry but at a later time, this activity would be supported by software/IT driven processes.

7.5.7 In the 2nd phase, AEGCL would be carrying out the feasibility of implementation of Enterprise Resource Planning (ERP) systems/SAP and data exchange between the SCADA systems to be implemented. The ERP systems would actually connect all the substations and circle offices to with headquarter for all data flow and exchange facilitating faster information dissemination, reporting and decision making. Through, the ERP systems AEGCL would be in a position to have data on Finance & Accounts, Billing data, operation data, Human Resource Data, etc, facilitating real time data flow.

7.5.8 Through the IT implementation the project management of the new projects can be done thus reducing the cost overrun and time overrun with timely control and monitoring. These projects are at far off locations and as of now the field office are monitoring the progress of the work. It has been expected that AEGCL would convert this reporting system to Head Quarters with greater control of each and every projects.

7.5.9 The present schedule of rates for carrying out maintenance work is also not appropriate and the rates provided by the turnkey contractors for works carried vary from time to time which results in AEGCL paying out higher amounts for similar works. Therefore, AEGCL is presently in the process of designing standard schedule of rates to control the excessive cost incurred for the maintenance work.

7.5.10 **Regulatory & Management Strategy Group**: - The requirement of strategizing the decision making process of the management to explore new horizons and to better manage the transmission business through the opportunities arisen from the Regulatory provisions and expansion of business in new locations. A Regulatory and Management Strategy group is proposed to be formulated after discussion and finalization with the top management and the modalities for all activities of this group is to be finalized. This group would be consisting of the team members having skill sets in all business aspects and time to time would take assistance of expert resources external to the organization. Therefore, this group would not only cater to all the regulatory requirements but also be mainstream brain of the management.

8 Compliance to Directives

Directive Clause as in TO	Directive by AERC	Response of AEGCL
9.3 (a)	The petitioners are directed to file **Audited Financial Statements for FY 2005-06** along with all the relevant annexures, schedules and notes to Accounts.	The Audited Annual Accounts FY 2005-06 is herewith enclosed as Annexure E with this ARR & Tariff Petition.
9.3 (b)	The petitioners are directed to file **Fixed Assets Registers** incorporating and including Gross Fixed Assets (GFA) at the beginning of the relevant financial year, addition, dispositions / sale proceeds, if any, made during the relevant financial year and the written down value of the assets at the end of the relevant financial year.	As per the direction of the Hon'ble Commission, AEGCL had initiated the creation of Fixed Asset Register and is presently in the process of collection & compilation of necessary data through an external consultant. Out of total 31 locations, data in regard to 26 locations has been collected by the consultants. AEGCL expects that a preliminary report along with data of assets would be available by 31st October 2008. On finalization of the same it would be submitted to the Hon;ble Commission.
9.3 (c)	**Government Notification of the opening balance sheets as on 01.04.05.** The Commission will take up the issue of approval of ARR for FY 2008-09 and 2009-10 only on the receipt of the above documents. The Commission further directs that the audited balance sheet of FY 2006-07 along with annexures be submitted as soon as it is audited by the Statutory Auditors.	The Government Notification of the Opening Balance Sheet as on 01.04.05 is enclosed with the petition in Annexure F. The statutory audit of Provisional Annual Accounts FY 06-07 by an external Chartered Accountant Firm has already been completed but the AG audit is yet not completed. AEGCL had already requested the Accountant General to audit the FY 06-07 accounts. Therefore, in absence of AG audited accounts, AEGCL has enclosed the Provisional Annual Accounts FY 06-07 as Annexure D and would submit the audited final accounts on completion of AG audit.

Directive Clause as in TO	Directive by AERC	Response of AEGCL
9.4	The Commission directs the petitioners to account for eligible amount of capital locked up in **Capital Works In Progress (CWIP) and its conversion into gross fixed assets** in the current financial year 2007-08 within 60 (sixty) days of end of FY 2007-08. The Commission also directs the entities to submit a statement of conversion of CWIP into GFA during 2006-07 within 60 (sixty) days from the date of this order.	The capital expenditure work undertaken through the field offices at various locations are booked through work completion certificates. Therefore, completion of work booked under CWIP is charged to Fixed Asset by crediting The Capital Works In Progress (CWIP). The action to get these data at the head quarter level has been initiated and expected that over a six months time these data would be available at the Headquarter. AEGCL on availability of these data would provide the appropriate data to the Hon'ble Commission.
9.5	As per clause 84.3 of AERC (Terms and Conditions for Determination of Tariff) Regulations, 2006, the norms for O & M expenses shall be fixed on the basis of circuit kilometers of transmission lines, transmission capacity and no. of bays in substations. Due to non-availability of required data, the O & M budget for AEGCL is set based on the Commission's assessment of estimates submitted by licensee which may not give the true figures. As such the AEGCL is directed to furnish **complete data on circuit kilometers of transmission lines, transmission capacity and no. of bays in substations** within 2 months of issue of Order so that norms for O & M expenses may be fixed by the Commission for FY 2008-09.	As per the reply to the above directive, the fixed asset register is being created and after the finalization would be submitted to the Hon'ble Commission immediately. The data for circuit Kilometers of lines, substations, bays, etc would be available in the Asset Register and can then be used for the O&M budget projections. Till these data is available with AEGCL, it requests the Hon'ble Commission to adopt the methodology as estimated by AEGCL.

Directive Clause as in TO	Directive by AERC	Response of AEGCL
9.6	No details regarding ASEB Employees Pension Fund Trust have been provided to the Commission. The Commission directs that **Rules and Regulations of funds including other vital documents and fund management of the trust** created for the purpose shall be submitted within two months from the date of issue of this Tariff Order.	The necessary details as required by the Hon'ble Commission is enclosed herewith this ARR & Tariff Petition in Annexure B along with the vital documents.
9.7	As per figures submitted in the tariff petitions and pointed out in Chapter 2 of this Tariff Order, transmission loss is estimated to be 3.79% in FY 2006-07, whereas as per the data submitted by SLDC the transmission loss for FY 2006-07 is found to be 7.26% in Chapter 5. The AEGCL is directed to explain this huge discrepancy in **transmission loss estimation** within one month of issue of this Order.	The data as per the SLDC will be taken as correct.

9 Prayer To The Hon'ble Commission

9.1.1 The petition provides, inter-alia, AEGCL's approach for formulating the present petition, the broad basis for projection used, summary of the proposals being made to the Hon'ble Commission, performance of AEGCL vis-à-vis the Tariff Order, and certain issues impacting the performance of AEGCL in the Licensed Area.

9.1.2 Broadly, in carrying out the true up of performance of FY 2006-07 & 2007-08 , the ARR of FY 2008-09 and in evolving the ARR for AEGCL for FY 2009-10, the principles specified by the Hon'ble Commission in its Tariff Order dated 12th September 2007 and AERC (Term and Conditions of Tariff) Regulations ("Tariff Regulations") have been considered.

9.1.3 In order to align the thoughts and principles behind the Tariff Order and the ARR, AEGCL respectfully seeks an opportunity to present their case prior to the finalization of the Tariff Order. AEGCL believes that such an approach would go a long way towards providing a fair treatment to all the stakeholders and may eliminate the need for a review or clarification.

9.1.4 AEGCL may also be permitted to propose suitable changes to the ARR and the mechanism of meeting the revenue on further analysis, prior to the final approval by the Hon'ble Commission.

9.1.5 In view of the above, the petitioner respectfully prays that Hon'ble Commission may:

9.1.5.1 Accept the Annual Revenue Requirements and Tariff proposal for Transmission Business respectively in accordance with:

9.1.5.2 The guidelines outlined in AERC Orders passed in various matters relating to AEGCL; and

9.1.5.3 The principles contained in AERC (Terms and Conditions for determination of Tariff) Regulations 2006;

9.1.5.4 Condone any inadvertent omissions/ errors/ rounding off differences/ shortcomings and permit AEGCL to add/ change/ modify/ alter this filing and make further submissions as may be required at a future date.

9.1.5.5 Pass such further and other orders, as the Hon'ble Commission may deem fit and proper, keeping in view the facts and circumstances of the case.