

- **INDEX_n** – Inflation Factor to be used for indexing the Employee Cost.
- This will be a combination of the Consumer Price Index (CPI) and the Wholesale Price Index (WPI) of *n*th year and shall be calculated as under:-

$$\text{INDEX}_n = 0.50 \cdot \text{CPI}_n + 0.50 \cdot \text{WPI}_n$$

'WPI_n' means the average rate (on monthly basis) of Wholesale Price Index (all commodities) over the year for the *n*th year.

'CPI_n' means the average rate (on monthly basis) of Consumer Price Index (Industrial workers) over the year for the *n*th year.

3.7.13 Accordingly, the Commission has calculated the **INDEX** as under:

Table 31: Calculation of INDEX

Sr. No.	Particulars	FY 2018-19	FY 2019-20	Increase (%)
1	CPI	299.92	322.50	7.53
2	WPI	119.79	121.80	1.68

$$\text{INDEX } n / \text{INDEX } n-1 = (0.5 \cdot 7.53) + (0.5 \cdot 1.68) = \mathbf{4.60\%}$$

3.7.14 Accordingly, the Commission has calculated the Normative Other Employee Cost as under:

Table 32: Normative Other Employee Cost calculations

(Rs. Crore)				
Sr. No.	Particulars	Transmission	SLDC	PSTCL
1.	Other Employee Cost for FY 2017-18	180.68	6.38	187.06
2.	Escalation Factor (CPI:WPI::50:50)	4.86%	4.86%	4.86%
3.	Other Employee Cost for FY 2018-19	189.47	6.69	196.16
4.	Escalation Factor (CPI:WPI::50:50)	4.60%	4.60%	4.60%
5.	Other Employee Cost for FY 2019-20	198.19	7.00	205.19

3.7.15 The actual other employee cost as per the Annual Audited Accounts of FY2019-20 are as under:

Table 33: Actual other employee cost as per Annual Audited Accounts of FY 2019-20

(Rs. Crore)				
Sr. No.	Particulars	Transmission	SLDC	PSTCL
1.	Actual Other Employee Cost	190.44	7.48	197.92

3.7.16 The relevant Regulation for the Employee Cost i.e. Reg 8.3 of PSERC MYT Regulations, 2014 (as amended from time to time) is reproduced below:

“O&M expenses are considered normative as per the formula specified in regulation

26. The changes on account of Inflation Index shall be adjusted during the annual performance review/true up. However, if the actual expenditure is less than the normative, then the allowable expenditure shall be limited to actual expenditure incurred by the applicant.”

3.7.17 Therefore, as the Normative Other employee cost for Transmission Business is higher than the actuals, the Commission approves “Other employee cost” as Rs.190.44 Crore as per actuals. For SLDC actual other employee cost is higher than normative, therefore the Commission allows Rs 7.00 crores as per normative. The total employee cost of PSTCL approved by the Commission is as under:

Table 34: Employee Cost allowed by the Commission for FY 2019-20
(Rs. Crore)

Sr. No.	Particulars	Transmission	SLDC	PSTCL
1.	Other Employee Cost	190.44	7.00	197.44
2.	Terminal Benefits	309.66	0.22	309.88
3.	Actual Employee Cost	500.10	7.22	507.32

3.7.18 Therefore, the Commission allows Employee Cost of Rs. 500.10 (190.44+309.66) Crore for Transmission Business and Rs. 7.22 (7.00+0.22) Crore for SLDC Business for FY 2019-20 i.e. Employee Cost of Rs. 507.32 Crore for PSTCL.

B. Repair & Maintenance (R&M) and Administration & General (A&G) Expenses

3.7.19 In the MYT Petition for FY 2017-18 to FY 2019-20, PSTCL projected R&M and A&G Expenses of Rs.62.78Crore for its Transmission Business and Rs. 4.08 Crore for its SLDC Business for FY 2019-20. The Commission approved Rs.64.04 Crore and Rs. 3.67 Crore as R&M and A&G expenses for Transmission Business and SLDC Business of PSTCL respectively.

3.7.20 In the Petition for Tariff of FY 2019-20, PSTCL revised its claim of R&M and A&G expenses to Rs.69.77 Crore for its Transmission Business and Rs.2.74 Crore for its SLDC Business. The Commission approved the R&M and A&G expenses of Rs.53.34 Crore for Transmission Business and Rs.2.53 Crore for SLDC Business of PSTCL during the APR of FY 2019-20.

3.7.21 In the APR Petition for FY 2019-20, PSTCL revised its claim of R&M and A&G expenses to Rs. 51.21 Crore for its Transmission Business and Rs.1.30 Crore for its

SLDC Business. The Commission approved the R&M and A&G expenses of Rs.50.86 Crore for Transmission Business and Rs.1.36 Crore for SLDC Business of PSTCL during the APR of FY 2019-20.

PSTCL's Submission:

3.7.22 PSTCL has considered the K-factor of 0.496% for Transmission Business and 7.293% for SLDC Business for computing the normative R&M and A&G Expenses of FY 2019-20. Further, PSTCL submitted that assets worth Rs. 0.29 Crore funded through Contributory Works and worth Rs. 6.25 Crore funded through Government Grant under PSDF Scheme were added in Fixed Assets of FY 2019-20. These assets are operated and maintained by PSTCL. Therefore, PSTCL has considered the impact of these assets in Gross Fixed Assets of FY 2019-20 for the purpose of computing normative R&M expenses and A&G Expenses. Accordingly, PSTCL has computed the combined Normative R&M expenses and A&G expenses for Transmission and SLDC Business as under:

Table 35: Normative R&M and A&G Expenses as submitted by PSTCL for FY 2019-20

(Rs. Crore)				
Sr. No.	Particulars	Transmission	SLDC	PSTCL
1.	Opening GFA	9778.83	17.43	9796.26
2.	Additions to GFA			
a	Transferred from CWIP Account	282.35	6.31	288.67
b	Directly Transferred to GFA	13.43	0.02	13.45
3.	Retirements to GFA	(21.80)	0.00	(21.80)
4.	Closing GFA	10096.42	23.77	10120.19
5.	Average GFA	9937.62	20.60	9958.22
6.	Escalation Factor (<i>Increase in WPI Index</i>)	1.68%	1.68%	1.68%
7.	k-factor	0.496%	7.293%	-
8.	R&M Expenses and A&G Expenses	50.12	1.53	51.64
9.	Add: Audit Fee	0.06	-	0.06
10.	Add: Licence Fee and ARR Fee	0.50	-	0.50
11.	Grand Total	50.68	1.53	52.21

3.7.23 PSTCL has submitted that the actual R&M expenses and A&G expenses incurred, as per the Audited Annual Accounts of FY 2019-20, are as under:

Table 36: Actual R&M and A&G Expenses as submitted by PSTCL for FY 2019-20

(Rs. Crore)				
Sr. No.	Particulars	Transmission	SLDC	PSTCL
1.	R&M Expenses	30.14	0.50	30.64
2.	A&G Expenses	25.54	0.78	26.32
3.	R&M and A&G Expenses	55.68	1.28	56.96

3.7.24 PSTCL has submitted that during FY 2019-20, an amount of Rs. 0.46 Crore was

incurred as extraordinary expense on disc washing and payments towards hot line maintenance to improve the transmission availability factor which was not part of the base Normative R&M and A&G expenses approved by the Commission.

3.7.25 As discussed in the above paragraphs, PSTCL has submitted the comparison of Normative and Actual O&M Expenses for FY 2019-20 as under:

Table 37: Comparison of Normative and Actual O&M Expenses for FY 2019-20 as submitted by PSTCL

(Rs. Crore)			
Sr. No.	Particulars	Normative	Actual
1.	Employee Expenses	515.07	507.80
2.	R&M Expenses	52.21	30.64
3.	A&G Expenses		26.32
4.	Extra Ordinary Expenses	0.46	-
5.	Total O&M Expenses	567.74	564.76

3.7.26 The normative O&M Expenses are computed as Rs. 567.74 Crore for FY 2019-20. As against this, the actual O&M Expenses are Rs. 564.76 Crore (Employee Cost of Rs. 507.80 Crore and R&M expenses and A&G expenses of Rs. 56.96 Crore) for FY 2019-20 as per Audited Accounts. Since the actual O&M expenses as reflecting in Audited Accounts of FY 2019-20 are lower than the Normative O&M Expenses computed in line with the PSERC MYT Regulations, 2014, PSTCL therefore requested approval of the actual O&M expenses for FY 2019-20.

Commission’s Analysis:

3.7.27 The R&M and A&G expenses for the FY 2019-20 are to be determined as per Regulation 26.1 of PSERC MYT Regulations, 2014 (and amendments) which states as:

$$R\&M_n + A\&G_n = K * GFA * (WPI_n / WPI_{n-1})$$

Where,

- ‘K’ is a constant (expressed in %) governing the relationship between R&M and A&G expenses and Gross Fixed Assets (GFA) for the nth year. The value of “K” will be specified by the Commission in the MYT order.
- ‘GFA’ is the average value of the Gross Fixed Assets of the nth year.
- ‘WPI_n’ means the average rate (on monthly basis) of Wholesale Price Index (all commodities) over the year for the nth year. “

3.7.28 The value of “K” is considered as 0.496% for Transmission business & 7.293% for

SLDC business as determined by the Commission in Tariff Order dated 27th May 2019 and the same was specified by the Commission in the Tariff Order dated 1st June 2020.

3.7.29 The Commission agrees that R&M and A&G expenses for the Contributory works and PSDF works shall be borne by PSTCL since these assets are operated and maintained by PSTCL.

3.7.30 The Opening GFA for the purpose of calculating R&M and A&G expenses is considered as Rs 9796.13 Crore from the Closing GFA as mentioned in para 2.7.12 of True-up of FY 2018-19 in Tariff Order for FY 2020-21.

3.7.31 The addition of GFA during the year is considered based on the addition of GFA as mentioned in Table 24. The net transfer of GFA from assets not in use is considered as (-)Rs 21.80 Crore as per the submission of PSTCL in Table 21 and Table 26 of the Petition. The details are as under:

Table 38: Addition of GFA

Sr. No.	Particulars	Transmission	(Rs. Crore)	
			SLDC	PSTCL
1.	Transferred to GFA during the Year as per audited accounts	282.31	6.31	288.62
2.	Add: Assets transferred directly	13.43	0.02	13.45
3.	Add: Assets held under lease(Land)	8.03	-	8.03
4.	Net Addition of Assets for R&M Calculation [1+2+3]	303.77	6.33	310.10

3.7.32 The increase in WPI Index is considered as 1.68% as per Table 31.

3.7.33 Note 5 of Regulation 26.1 of PSERC MYT Regulations 2019 states the following:

“...

Note 5: O&M expenses made on account of extraordinary situations (if any) shall be submitted to Commission for its approval. Such expenses shall be filed separately and will not be subjected to provisions of Regulation 30. The amount approved by the Commission shall be trued up in the Annual Performance Review.”

3.7.34 The Commission observes that an amount of Rs. 0.46 Crore was incurred on disc washing and payments towards hot line maintenance to improve the transmission availability factor. It cannot be considered as extra-ordinary expense to be allowed outside the norms. However, it is noted that PSTCL has asked for an incentive for improvement in Transmission availability ,which is considered subsequently in this order since the availability has improved.

3.7.35 Accordingly, the R&M & A&G expenses works out as under:

Table 39: R&M and A&G expenses determined by the Commission for FY 2019-20
(Rs. Crore)

Sr. No.	Particulars	Transmission	SLDC	PSTCL
1.	Opening GFA for the purpose of R&M and A&G	9777.77	18.36	9796.13
2.	Addition during the year	303.77	6.33	310.10
3.	Net transfer from Asset not in use	21.80	-	21.80
4.	Closing GFA for the purpose of R&M and A&G	10103.34	24.69	10128.03
5.	Average GFA for the purpose of R&M and A&G	9940.56	21.53	9962.08
6.	K factor	0.496%	7.29%	
7.	Escalation Factor (<i>Increase in WPI Index</i>)	1.68%	1.68%	
8.	R&M and A&G Expenses	50.13	1.60	51.73
9.	Add: Audit Fee	0.06	-	0.06
10.	Add: License Fee and Tariff determination Fee	0.50	-	0.50
11.	Grand Total	50.69	1.60	52.29

3.7.36 As explained in Para 3.7.16, if the actual expenditure is less than the normative, then the allowable expenditure shall be limited to actual expenditure incurred by the petitioner. However, if the actual expenditure is higher than the normative, the normative expenditure shall be allowed.

3.7.37 The Commission has observed that PSTCL has submitted Rs 0.81 crores of lease charges in interest charges whereas, as per Regulations these are a part of R&M and A&G expenses. Accordingly, the actual R&M and A&G expenses are of Rs. 56.49 crores (Rs 55.68 crores of R&M & A&G expenses plus Rs 0.81 crores of lease charges).

3.7.38 The Normative R&M and A&G expenses for Transmission business are Rs.50.69 Crore which is lower than the actual R&M and A&G expenses of Rs. 56.49 crores. Accordingly, the Commission approves the R&M and A&G expenses for Transmission business as Rs.50.69 Crore.

3.7.39 Since the actual R&M and A&G expenses for SLDC Business is Rs.1.28 Crore as per the Audited Annual Accounts which is lower than the Normative Expenses of Rs.1.60 Crore, the Commission has considered Rs.1.28 Crore as R&M and A&G expenses for SLDC Business of FY 2019-20.

3.7.40 Thus, the Commission approves Rs. 51.97 Crore (Rs.50.69 Crore for Transmission Business + Rs.1.28 Crore for SLDC Business) of R&M and A&G

expense for FY 2019-20.

3.8 Depreciation Charges

- 3.8.1 In the ARR Petition of 1st MYT period, PSTCL had claimed depreciation charges of Rs. 368.05 Crore for Transmission Business and Rs. 3.31 Crore for SLDC Business against which the Commission had approved depreciation charges of Rs. 315.54 Crore for Transmission Business and Rs.2.20 Crore for SLDC Business for FY 2019-20.
- 3.8.2 In the Petition for FY 2019-20, PSTCL had claimed revised estimates of depreciation of Rs. 307.24 Crore for its Transmission Business and Rs. 2.07 Crore for its SLDC Business for FY 2019-20. The Commission had approved depreciation of Rs. 291.67 Crore for Transmission Business and Rs. 1.66 Crore for SLDC Business to PSTCL for FY 2019-20.
- 3.8.3 In the APR Petition for FY 2019-20, PSTCL revised its claim of depreciation to Rs.292.21Crore for Transmission Business and Rs.0.43 Crore for SLDC Business. The Commission had approved depreciation charges of Rs.289.63 Crore for Transmission Business and Rs.0.43 Crore for SLDC Business for FY 2019-20.

PSTCL's Submission:

- 3.8.4 PSTCL has been charging depreciation in audited accounts of FY 2019-20 in line with the methodology specified in Regulation 21 of the PSERC MYT Regulations, 2014, as amended from time to time. PSTCL has not considered depreciation on the amount of Rs. 6.54 Crore on asset capitalized during FY 2019-20, as these assets were funded through Contributory Work and works under PSDF scheme. PSTCL has hence claimed Depreciation in line with the amounts reflecting in Audited Accounts of FY 2019-20, after excluding depreciation towards impairment loss.

Table 40: Depreciation claimed by PSTCL for FY 2019-20

(Rs. Crore)				
Sr. No.	Particulars	Transmission	SLDC	PSTCL
1	Opening GFA (net of land and land rights)	6,856.77	12.68	6,869.45
2	Addition of GFA	279.73	6.33	286.07
3	Retirement of GFA	(21.80)	-	(21.80)
4	Closing GFA (net of land and land rights)	7,158.31	19.02	7,177.33
5	Depreciation	290.42	1.24	291.66

Commission's Analysis:

- 3.8.5 The Depreciation has been determined as per Regulation 21 of PSERC MYT Regulations-2014 (as amended from time to time).
- 3.8.6 The Commission has considered the Fixed Asset Register submitted by PSTCL for

determining weighted average rate of depreciation based on Fixed Asset Register of FY 2019-20 as under:

Table 41: Computation of weighted average rate of depreciation for FY 2019-20

(Rs. Crore)			
Sr. No.	Particulars	Transmission	SLDC
1	Opening GFA (net of land and land rights and consumer contribution and grant)	6,821.78	12.68
2	Add: Additions during the year ((net of land and land rights and consumer contribution and grant))	279.69	6.33
3	Less: Net transfer from Asset not in use	(21.80)	-
4	Closing GFA (net of land and land rights)	7,123.27	19.02
5	Average Gross Fixed Assets	6,972.57	15.85
6	Depreciation	290.65	1.24
7	Average rate of depreciation	4.17%	7.83%

3.8.7 The closing GFA of FY 2018-19as approved by the Commission in Tariff Order dated 01.06.2020 is considered as the opening GFA for FY 2019-20.

3.8.8 The Commission has also deducted Rs.17.55Crore of land acquired by PSTCL (as mentioned in FAR) during the year and not considered the assets of Rs.6.53 Crore added through consumer contribution and grant.

Table 42: Depreciation approved by the Commission for FY 2019-20

(Rs. Crore)				
Sr. No.	Particulars	Transmission	SLDC	PSTCL
1.	Opening GFA (net of land and land rights and consumer contribution)	6786.40	12.77	6799.17
2.	Add: Additions during the year	303.77	6.33	310.10
3.	Add: Net transfer from Asset not in use	21.80	-	21.80
4.	Less land and land rights during the year	17.55		17.55
5.	Less: GFA due to Contributory Works and PSDF grants	6.53	-	6.53
6.	Closing GFA (net of land and land rights)	7087.89	19.10	7107.00
7.	Average GFA	6937.15	15.94	6953.08
8.	Average rate of depreciation	4.17%	7.83%	
9.	Depreciation allowed by the Commission	289.17	1.25	290.42

3.8.9 **The Commission approves depreciation of Rs.289.17 Crore for Transmission Business and Rs.1.25 Crore for SLDC Business for FY 2019-20.**

3.9 Interest and Finance Charges

3.9.1 In the ARR Petition of 1st MYT Period, PSTCL had projected Interest and Finance charges on long term loan of Rs. 400.71 Crore (net of capitalization of Rs. 40.30 Crore of interest charges) for its Transmission Business and Rs.4.64 Crore for SLDC Business for FY 2019-20. The Commission approved interest charges of Rs. 351.35

Crore for Transmission Business and Rs. 2.16 Crore for SLDC Business.

- 3.9.2 In the petition for FY 2019-20, PSTCL had claimed revised estimates of Interest and Finance charges of Rs. 366.07 Crore (net of capitalization of Rs. 35.55 Crore of interest charges) for its Transmission Business and Rs. 1.53 Crore for its SLDC Business for FY 2019-20. The Commission had approved Interest and Finance charges of Rs. 324.48 Crore for Transmission Business and Rs. 1.36 Crore for SLDC Business to PSTCL for FY 2019-20.
- 3.9.3 In the APR for FY 2019-20, PSTCL had claimed Interest and Finance charges on long term loan of Rs.360.42 Crore (net of capitalization of Rs.21.05 Crore) for its Transmission Business and Rs.0.82Crore for SLDC Business. The Commission approved the interest and finance charges of Rs.356.09 Crore for Transmission Business and Rs. 1.28 Crore for SLDC Business at the time of Review of FY 2019-20.

A. Interest and Finance Charges for Transmission

PSTCL's Submission:

- 3.9.4 In the True Up Petition for FY 2019-20, PSTCL has claimed the Interest & Finance Charges of Rs.353.45 Crore for Transmission Business and Rs. 1.25 Crore for SLDC Business based on Audited Annual Accounts for FY 2019-20 (net of capitalization of IDC Rs.21.01 Crore).
- 3.9.5 PSTCL submitted that the Commission has been disallowing loans with respect to approved Capital Expenditure since Truing-up of FY 2014-15. The opening loan as on 01.04.2019 stands at Rs. 3,606.49 Crore as approved in APR of FY 2019-20 after disallowance made by the Commission. PSTCL had filed Review Petition before the Commission against such disallowances. The Commission vide Order dated October 15, 2020 disposed of the Review Petition and did not consider the disallowed loans as prayed by PSTCL in view of the pending appeal before APTEL. Accordingly, PSTCL has claimed Opening balance of Loans for FY 2019-20 in line with the Closing balance of loans approved by the Commission in Truing-up of FY 2018-19.
- 3.9.6 PSTCL has funded the entire Capital Expenditure during FY 2019-20 through loans availed during the year. The loan repayments considered against these approved loans are actual repayments made during the year.
- 3.9.7 PSTCL has considered the outstanding long-term loans as approved in Table 23 and Table 28 of Tariff Order dated June 01, 2020, for calculation of weighted average interest rate for Transmission and SLDC business respectively. These are as under:

Table 43: Source-wise Loan for computation of Interest rate for FY 2019-20 as submitted by PSTCL

(Rs. Crore)

Sr. No.	Name of Source	Opening Balance as on April 1, 2019	Loan Received	Loan Repaid	Closing Balance as on March 31, 2020	Interest Charges
1	REC	2730.00	58.82	257.49	2531.33	270.03
2	State Bank of India	58.00	119.03	11.90	165.13	11.22
3	NABARD	203.56	3.04	18.67	187.93	19.83
4	PSPCL	7.59	-	-	7.59	-
5	PFC-2	495.57	-	-	495.57	48.20
	Total Loans for Transmission	3494.72	180.89	288.06	3387.55	349.28
6	Loan for SLDC	7.29	0.38	0.33	7.34	0.75
	Total Loan of PSTCL	3502.01	181.27	288.39	3394.89	350.03
	Weighted Average Interest Rate (Transmission)					10.10%
	Weighted Average Interest Rate (SLDC)					10.21%

3.9.8 Further, PSTCL has considered the revision in opening balance of loan on account of True-up of Capital Expenditure for the First Control Period.

3.9.9 PSTCL has also considered GPF liability outstanding as on 01.04.2019. The repayments made and interest amount considered in the Petition is the actual repayment and interest incurred during the year on GPF liability.

3.9.10 PSTCL has calculated the Interest and Finance Charges after considering the Loan adjustment due to True-up of Capital Expenditure for First Control Period as under:

Table 44: Interest on Loans as calculated by PSTCL for FY 2019-20

(Rs. Crore)

Sr. No.	Particulars	FY 2019-20		
		Transmission	SLDC	PSTCL
1a	Opening Balance (as per closing balance approved in Table 24 and 28 of Tariff Order)	3595.63	10.86	3606.49
1b	Add: Loan adjustment due to True-up of Capex for First Control Period	23.23	1.37	24.60
1	Revised Opening Balance excluding GPF	3618.86	12.23	3631.09
2	GPF	87.82	-	87.82
3	Revised Opening Balance including GPF	3706.68	12.23	3718.91
4	Loan addition during year	180.89	0.38	181.27
5	Loan Repayment during year	303.28	0.33	303.61
6	Closing Balance	3584.29	12.28	3596.57
7	Interest Rate	10.10%	10.21%	10.10%
8	Interest Charges	368.05	1.25	369.30
9	Add: Miscellaneous Interest and Finance Charges	0.60	-	0.60
10	Add: Lease charges	0.81	-	0.81
11	Add: Guarantee Charges	5.00	-	5.00
12	Less: Interest Capitalised	21.01	-	21.01
13	Interest & Finance Charges	353.45	1.25	354.70

Commission's Analysis:

3.9.11 The Commission has considered the following as long-term loans for determination of interest rate for Transmission business as under:

Table 45: Loans for Transmission Business for FY 2019-20

(Rs. Crore)						
Sr. No.	Name of Source	Opening Balance as on April 1,2019	Loan Received	Loan Repaid	Closing Balance as on March 31, 2020	Interest Charges
1	REC	2,730.00	58.82	257.49	2,531.33	270.03
2	SBI	58.00	119.03	11.90	165.13	11.22
3	NABARD	203.56	3.04	18.67	187.93	19.83
4	PSPCL	7.59	-	-	7.59	-
5	PFC-2	495.57	-	-	495.57	48.20
6	Total loan for Transmission Business	3,494.72	180.89	288.06	3,387.55	349.28
Weighted Average Interest Rate (Transmission)						10.15%

3.9.12 Considering the long term loans and interest charges submitted by PSTCL as given above, the weighted average rate of interest is calculated as 10.15% $[\frac{349.28}{\{(3494.72+3387.55) / 2\}}]$ for Transmission business which is less than the SBI Advance rate as on 1st April 2019 (13.80%). The Commission considers the Closing balance of loan of FY 2018-19 as the Opening balance of loan for FY 2019-20 which has increased due to impact of true-up of capital expenditure for FY 2017-18 and FY 2018-19 as given in the following table:

Table 46: Change in Opening balance of loan for Transmission Business due to impact of true up of capital expenditure

(Rs. Crore)			
Sr. No.	Particulars	As approved in True-Up of respective years	As approved in True-Up of capital expenditure
1.	Opening Loan (other than GP Fund) for FY 2017-18	3,717.19	3,717.19
2.	Addition	225.04	231.80
3.	Repayment	281.78	281.78
4.	Closing loan for FY 2017-18	3,660.45	3,667.21
5.	Opening Loan (other than GP Fund) for FY 2018-19	3,660.45	3,667.21
6.	Addition	232.67	223.17
7.	Repayment	297.49	297.49
8.	Closing loan for FY 2018-19	3,595.63	3,592.89

3.9.13 The Commission has approved a loan addition of Rs. 183.81 Crore for Transmission Business of FY 2019-20 after deducting the Capital Expenditure of Rs. 53.26 Crore on Contributory Works and Rs.2.68 Crore on grant portion of PSDF Works as explained in Para 3.6.5.

3.9.14 The Commission has calculated the interest on loan by considering the actual

repayment of Rs.288.06 Crore as submitted by PSTCL in Table 45 and is as under:

Table 47: Interest on loan for Transmission Business as approved by the Commission

(Rs. Crore)		
Sr. No.	Particulars	Amount
1.	Opening Loan (other than GP Fund)	3,592.89
2.	Addition	183.81
3.	Repayment	288.06
4.	Closing loan	3488.64
5.	Average loan	3540.76
6.	Weighted average rate of Interest	10.15%
7.	Interest on loan	359.39

Interest on GP Fund

3.9.15 PSTCL has claimed interest on GP fund of Rs.87.82 Crore along with interest charges on total loans for transmission business as shown in Table 44 at the rate of 10.10% during FY 2019-20.

3.9.16 **However, the Commission approves interest of Rs.6.37 Crore on GP Fund as per the Audited Accounts, being statutory payment, submitted by PSTCL for FY 2019-20.**

Capitalization of Interest Charges

3.9.17 In the True up Petition for FY 2019-20, PSTCL has capitalized Rs.21.01 Crore as interest charges based on Audited Annual Accounts for FY 2019-20.

3.9.18 **The Commission, approves capitalization of interest of Rs.21.01 Crore for FY 2019-20 based on the Audited Annual Accounts.**

Lease Charges, Finance Charges and Guarantee Charges

3.9.19 PSTCL has claimed Finance charges of Rs.0.60 Crore and Guarantee charges of Rs.5.00 Crore based on Audited Annual Accounts for FY 2019-20 for Transmission Business. Accordingly, the Commission approves the Finance charges and Guarantee charges of Rs.5.60 Crores for Transmission Business of PSTCL.

3.9.20 PSTCL has also claimed Lease charges of Rs. 0.81 Crore. However, in accordance to the Regulations, the Lease charges have already been considered while calculating the normative A&G expenses and the same is already part of O&M Expenses. Therefore, the Commission has not considered the Lease charges of Rs. 0.81 Crore in interest and finance charges. The Commission has considered the lease charges in actual R&M & A&G expenses.

3.9.21 The Commission approves interest and finance charges for Transmission Business of PSTCL for FY 2019-20 as under:

Table 48: Interest & Finance Charges for Transmission Business for FY 2019-20 as approved by the Commission

(Rs. Crore)			
Sr. No.	Particulars	Interest as Claimed by PSTCL	Amount allowed by The Commission
1.	Interest on Loans	368.05	359.39
2.	Interest on GP Fund		6.37
3.	Lease Charges	0.81	-
4.	Finance Charges	0.60	0.60
5.	Guarantee Charges	5.00	5.00
6.	Gross Interest on Long Term Loans(1+2+3+4+5)	374.46	371.36
7.	Less: Capitalization	21.01	21.01
8.	Net Interest and finance Charges on Long Term Loans (6-7)	353.45	350.35

3.9.22 Thus, the Commission approves Net Interest and Finance Charges of Rs. 350.35 Crore for Transmission Business for FY 2019-20.

B. Interest and Finance charges for SLDC Business

PSTCL's Submission:

3.9.23 In the True-up Petition for FY 2019-20, PSTCL has submitted that it had incurred capital expenditure of Rs. 0.38 Crore in the SLDC Business. Opening balance of loan is Rs.12.23 Crore after Loan adjustment due to True-up of Capital Expenditure for First Control Period as given in Table 44. PSPCL has submitted loan addition of Rs. 0.38 Crore, actual loan repayment of Rs. 0.33 Crore and has claimed Rs. 1.25 Crore as interest charges on long term loan during for FY 2019-20.

Table 49: Interest on loan as submitted by PSTCL for SLDC Business for FY 2019-20

(Rs. Crore)		
Sr. No.	Particulars	FY 2019-20
		SLDC
1a	Opening Balance (as per closing balance approved in Table 24 and 28 of Tariff Order)	10.86
1b	Add: Loan adjustment due to True-up of Capex for First Control Period	1.37
1	Revised Opening Balance excluding GPF	12.23
2	GPF	-
3	Revised Opening Balance including GPF	12.23
4	Loan addition during year	0.38
5	Loan Repayment during year	0.33
6	Closing Balance	12.28
7	Interest Rate	10.21%
8	Interest Charges	1.25
9	Add: Miscellaneous Interest and Finance Charges	-
10	Add: Lease charges	-
11	Add: Guarantee Charges	-
12	Less: Interest Capitalised	-
13	Interest & Finance Charges	1.25

Commission's Analysis:

3.9.24 The Commission has approved capital expenditure of Rs. 0.38 Crore for SLDC business. Accordingly, the Commission has considered capital expenditure of Rs. 0.38 Crore to be funded through loan as explained in Para 3.6.5.

3.9.25 The Commission considers the Closing balance of loan of FY 2018-19 as the Opening balance of loan for FY 2019-20 which has increased due to impact of true-up of capital expenditure for FY 2017-18 and FY 2018-19 as given in the following table:

Table 50: Change in Opening balance of loan for SLDC Business due to impact of true up of capital expenditure

(Rs. Crore)			
Sr. No.	Particulars	As approved in True-Up of respective years	As approved in True-Up of capital expenditure
1.	Opening Loan (other than GP Fund) for FY 2017-18	5.95	5.95
2.	Addition	1.11	1.11
3.	Repayment	0.32	0.32
4.	Closing loan for FY 2017-18	6.74	6.74
5.	Opening Loan (other than GP Fund) for FY 2018-19	6.74	6.74
6.	Addition	4.45	5.82
7.	Repayment	0.33	0.33
8.	Closing loan for FY 2018-19	10.86	12.23

3.9.26 The Commission has considered the following as long-term loans for determination of interest rate for SLDC business as under:

Table 51: Loan for computation of Interest rate for FY 2019-20 as submitted by PSTCL for SLDC Business

(Rs. Crore)						
Sr. No.	Name of Source	Opening Balance as on April 1,2019	Loan Received	Loan Repaid	Closing Balance as on March 31, 2020	Interest Charges
I	II	III	IV	V	VI	VII
1	REC (SLDC)	7.29	0.38	0.33	7.34	0.75

3.9.27 Considering the long term loans and interest charges submitted by PSTCL as given in above table, the weighted average rate of interest is calculated as under:

Table 52: Calculation of Interest rate for SLDC Business**(Rs. Crore)**

Sr. No.	Particulars	Amount
1.	Opening Loan	7.29
2.	Addition	0.38
3.	Repayment	0.33
4.	Closing Loan	7.34
5.	Average Loan	7.32
6.	Interest Charges	0.75
7.	Rate of Interest	10.25%

3.9.28 The Commission has considered the actual repayment of Rs. 0.33 Crore for SLDC Business of FY 2019-20.

3.9.29 Thus, the Commission considers the interest on allowable loans at a weighted average rate of interest of 10.25% for SLDC business which is less than the SBI Advance rate as on 1st April 2019 (13.80%) as under:

Table 53: Interest on Long-term loan for SLDC Business as approved by the Commission for FY 2019-20**(Rs. Crore)**

Sr.No.	Particulars	Amount
1.	Opening Loan	12.23
2.	Addition	0.38
3.	Repayment	0.33
4.	Closing loan	12.28
5.	Average loan	12.26
6.	Weighted average rate of Interest	10.25%
7.	Interest on loan	1.26

3.9.30 Therefore, the Commission approves interest & finance charges of Rs.1.26Crore during FY 2019-20 for SLDC Business.

3.9.31 Total Interest on loan approved by the Commission for PSTCL for FY 2019-20 is as under:

Table 54: Interest on loan approved by the Commission for PSTCL for FY 2019-20**(Rs. Crore)**

Sr. No.	Particulars	Transmission	SLDC	PSTCL
I	II	III	IV	V
1.	Interest on loan	350.35	1.26	351.61

3.10 Interest on Working Capital for Transmission Business

3.10.1 In the ARR Petition for FY 2019-20, PSTCL had claimed interest on working capital

for Transmission Business of Rs.50.19 Crore for FY 2019-20, on a total working capital of Rs.420.02 Crore against which The Commission approved interest on working Capital of Rs.40.96 Crore for FY 2019-20 on total working capital of Rs.342.75 Crore.

3.10.2 In the Tariff Order for FY 2019-20, PSTCL had claimed revised estimates of interest on working capital of Rs. 36.88 Crore on a total working capital of Rs. 375.72 Crore against which The Commission approved interest on working capital of Rs. 35.26 Crore for FY 2019-20 on total working capital of Rs.347.37 Crore.

3.10.3 In the APR for FY 2019-20, PSTCL had revised the claim of interest on working capital for Transmission Business of Rs.38.66 Crore for FY 2019-20, on a total working capital of Rs.359.34 Crore against which The Commission approved interest on working Capital of Rs.34.89 Crore for FY 2019-20 on total working capital of Rs.350.40 Crore.

PSTCL's Submission:

3.10.4 In the True-up Petition for FY 2019-20, PSTCL has claimed interest on working capital of Rs.36.78 Crore @10.19% on the working capital loan of Rs.361.07 Crore for Transmission Business. The rate of interest on working capital is required to be calculated as per the provisions contained in Regulations of PSERC MYT Regulations - 2014. PSTCL has considered the actual weighted average rate of interest for Working Capital loans for Transmission business, as the actual interest rate is lower than the SBAR, i.e., Prime Lending Rate of State Bank of India, as on 1st April of the year.

Table 55: Interest on Working Capital for Transmission as submitted by PSTCL for FY 2019-20

(Rs. Crore)		
Sr. No.	Particulars	Amount
1.	Receivables equivalent to two months of fixed cost	231.38
2.	Maintenance spares @ 15% of O&M expenses	83.37
3.	Operation and Maintenance expenses for one month	46.32
4.	Total Working Capital (Normative)	361.07
5.	Rate of Interest applied	10.19%
6.	Interest on Working Capital	36.78

Commission's Analysis:

3.10.5 The Commission has determined the working capital requirement in accordance with the Regulation-54 of PSERC MYT Regulations-2014. Rate of interest on working capital is calculated as per provisions contained in Regulations-25.1 of PSERC MYT

Regulations - 2014 (Amended vide No. PSERC/Reg./111 dated 03.02.2016).

3.10.6 The Commission considers the interest at the weighted average rate of approved loans which works out to 10.09% which is less than the SBI Advance rate on 1st April 2019 (13.80%) for Transmission Business as under:

Table 56: Interest on Working Capital for Transmission Business of PSTCL for FY 2019-20 approved by The Commission

		(Rs. Crore)
Sr. No.	Particulars	Amount
1.	Receivables equivalent to two months i.e. 2 x (ARR/12)	217.89
2.	Maintenance spares @ 15% of Operation and Maintenance expenses [15% of Rs.550.79 Crore]	82.62
3.	Operation and Maintenance expenses for one month as approved by The Commission (Rs. 550.79/12)	45.90
4.	Working Capital requirement	346.41
5.	Interest on Working Capital (@10.09% for FY 2019-20)	34.97

3.10.7 The Commission approves working capital requirements of Rs.346.41 Crore and interest thereon of Rs. 34.97Crore for Transmission Business of PSTCL for FY 2019-20.

3.11 Interest on Working Capital for SLDC Business

3.11.1 In the ARR Petition for FY 2019-20, PSTCL had claimed interest on working capital of Rs.0.99 Crore on the total working capital of Rs. 8.45 Crore for SLDC Business. The Commission approved the working capital of Rs. 6.23 Crore and interest on working capital Rs. 0.73 Crore for FY 2019-20.

3.11.2 In the Tariff Petition for FY 2019-20, PSTCL had claimed revised estimates of interest on working capital of Rs. 0.61 Crore on a total working capital of Rs.6.20 Crore against which the Commission approved interest on working capital of Rs.0.60 Crore for FY 2019-20 on total working capital of Rs.5.87 Crore.

3.11.3 In the APR for FY 2019-20, PSTCL had claimed interest on working capital of Rs.0.57 Crore on the total working capital of Rs.5.28 Crore for its SLDC Business. The Commission determined the working capital of Rs.4.71 Crore and interest thereon of Rs.0.49 Crore for SLDC Business.

PSTCL's Submission:

3.11.4 In the True up Petition for FY 2019-20, PSTCL has claimed Rs.0.57 Crore as interest @10.19% on Working Capital of Rs. 5.56 Crore.