

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Coram:

- 1. Shri Ashok Basu, Chairperson**
- 2. Shri Bhanu Bhushan, Member**
- 3. Shri A.H.Jung, Member**

Petition No.65/2006

In the matter of

Approval of revised fixed charges due to additional capital expenditure for the period 1.4.2003 to 31.3.2004 in respect of Assam Gas Based Power Project.

And in the matter of

North Eastern Electric Power Corporation Ltd

... Petitioner

Vs

1. Assam State Electricity Board, Guwahati
2. Meghalaya State Electricity Board, Shillong
3. Department of Power, Govt of Arunachal Pradesh, Itanagar
4. Electricity Department, Govt of Manipur, Imphal
5. Power & Electricity Department, Govt of Mizoram, Aizwal
6. Department of Power, Govt. of Nagaland, Kohima
7. Tripura State Electricity Corporation Ltd, Agartala
8. North Eastern Regional Power Committee, Shillong
9. North Eastern Regional Load Despatch Centre, Shillong

... Respondents

The following were present:

1. Shri P.K.Borah, NEEPCO
2. Shri Vishal Kumar, NEEPCO
3. Ms. Debjani Dey, NEEPCO
4. Ms. C.Ranee, NEEPCO
5. Shri H.M.Sharma, ASEB
6. Shri K.Goswami, ASEB
7. Shri R.Kapoor, ASEB

ORDER

(DATE OF HEARING : 26.10.2006)

Through this petition, the petitioner seeks approval for revised fixed charges in respect of Assam Gas Based Power Station, (291 MW) (hereinafter referred to as "the generating station") for the period 1.4.2003 to 31.3.2004, after considering the impact of additional capital expenditure incurred during the year.

2. The generating station with a total capacity of 291 MW comprises of six gas turbine units (6x 33.5 MW) and three steam turbine units (3x 30 MW).

3. The Central Government by its letter dated 14.2.2000 had accorded approval to the revised cost estimate for Rs.151557 lakh for the generating station, including IDC & FC of Rs.15281 lakh and excluding working capital margin of Rs.1675 lakh.

4. The Commission by its order dated 22.8.2005, in Petition No. 33/2003 had approved the tariff of the generating station for the period 1.4.2003 to 31.3.2004, which was subsequently revised by an order dated 14.12.2006, based on the capital cost of Rs.145336 lakh, as on 31.3.2003.

5. The additional capital expenditure as claimed by the petitioner is as follows :

(Rs in lakh)

Works within the scope of approved cost	2003-04
(a) Balance payments/Balance works	416.28
(b) Spares capitalized under approved cost	477.93
(c) Works/services—Capitalisation under approved cost, but undertaken after the date of commercial operation	133.64
(d) Deletion / Reduction	
(i) Inter-Unit transfers	(-) 0.624
(ii) Adjustment of excess capitalisation	(-) 1.82
Total (a)+(b)+(c)+(d)	1025.41

6. The petitioner has also claimed the revised fixed charges on account of the above capital expenditure.

7. The respondents, ASEB and TSEPCL have filed their replies and have objected to the petitioner's claim for revised fixed charges due to additional capitalization.

8. Regulation 1.10 of the 2001 regulations, applicable up to 31.3.2004, provides as follows :

“Tariff revisions during the tariff period on account of capital expenditure within the approved project cost incurred during the tariff period may be entertained by the Commission only if such expenditure is less than 20% of the approved cost. In all cases, where such expenditure is less than 20%, tariff revision shall be considered in the next tariff period”

9. We first consider the admissibility of additional capital expenditure claimed in the present petition.

Balance payments/ Balance works

10. An additional capital expenditure of Rs.416.28 lakh has been incurred as balance payments for works in respect of construction of permanent roads, residential buildings, non-residential buildings, temporary buildings, indoor and outdoor electrification etc. The capitalization of the expenditure was delayed on account of non-completion of formalities such as late submission of final bills, completion certificates and non-compliance of other requirements by the contractors for closing the contract. The petitioner by affidavit dated 23.11.2006 has confirmed that the temporary buildings of the generating station included under this head were in use during the year 2003-04 and are still in use. Further, the petitioner has submitted that the expenditure incurred for materials issued to the contractors have been charged to the contract and capitalization of proportionate share of IEDC under some of the heads like non-residential buildings, water supply and drainage is as per prevailing provision. In view of this capitalisation of the expenditure of Rs.416.28 lakh is allowed.

Expenditure on Spares within approved cost

11. The petitioner has claimed additional capitalization of initial spares of Rs. 477.93 lakh within the original scope of approved capital cost during 2003-04. The admitted capital cost of Rs.145336 lakh as on 31.3.2003 included the initial spares of Rs.1996 lakh, which is about 1.32% of the approved cost of Rs.151557 lakh, excluding WCM. The total value of spares capitalized in the capital cost as on 1.4.2004 would be Rs.2473.93 lakh , which is 1.63% of the approved project cost. The capitalisation of initial spares of 1.63% of the approved project cost appears to be reasonable and hence

the expenditure of Rs.477.93 lakh on spares within the original scope of work is allowed for capitalisation.

Work/Services undertaken after the date of commercial operation

12. The petitioner has claimed an additional capital expenditure of Rs.133.64 lakh incurred after the date of commercial operation, relating to works/ services within the original scope of the approved cost. The expenditure under this head is of the following nature :

- (i) Water supply and drainage provided at plant and colony,
- (ii) Construction of Security watch tower,
- (iii) Expenditure on fire fighting equipment,
- (iv) Ordinary Tools & Tackles,
- (v) Expenditure on Godrej chairs, Pentium IV Desktop, Printers, Godrej Typewriters etc.,
- (vi) Expenditure on Communication equipment, and
- (vii) Laboratory equipment, Books and Manuals, Refrigerators etc.

13. The expenditure listed above is for the welfare of the employees and their families, includes security measures, and strengthening IT system and for efficient operation of the generating station. The expenditure is within the scope of the approved cost and is considered to be justified. Accordingly, the additional capital expenditure amounting to Rs.133.64 lakh under this head is allowed.

Reduction on account of Inter-Unit Transfers

14. An amount of Rs. 0.62 lakh indicated by the petitioner as reduction in the capital cost on account of transfer of assets i.e., transfer of one Truck to Turial HEP, is allowed.

De-capitalisation

15. An expenditure of Rs.1.82 lakh de-capitalised in 2003-04, on account of adjustment of excess capitalization made in the previous years is allowed.

Summary

16. The following additional capital expenditure is allowed based on the discussions in the preceding paragraphs :

(Rs. in lakh)	
Works within the scope of approved cost	2003-04
(a) Balance payments/Balance works	416.28
(b) Spares capitalized under approved cost	477.93
(c) Works/services—Capitalisation under approved cost, but undertaken after COD	133.64
(d) Deletion / Reduction	
(i) Inter-Unit transfer	(-) 0.624
(ii) Adjustment of excess capitalisation	(-) 1.82
Total	1025.41

Capital Cost

17. After taking into account the additional capitalization allowed herein, the capital cost as on 31.3.2004 works out as follows :

(Rs in lakh)	
Capital cost as on 1.4.2003	145336.00
Additional capitalization for 2003-04	1025.41
Capital cost as on 31.3.2004	146361.41

Revised Fixed charges

18. The additional capitalization of Rs.1025.41 lakh approved, is 0.71% of the admitted capital cost of Rs.145336 lakh as on 1.4.2003. In keeping with the provisions of Regulation 1.10 extracted above, the revision of fixed charges for the period 1.4.2003 to 31.3.2004 is not warranted.

19. With the above, the present petition is disposed of.

Sd/-
(A.H.JUNG)
MEMBER

Sd/-
(BHANU BHUSHAN)
MEMBER

Sd/-
(ASHOK BASU)
CHAIRPERSON

New Delhi dated the 29th January 2007.