

**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. 71/2006

In the matter of

Approval of revised fixed charges due to additional capitalisation for the year 1.4.2003 to 31.3.2004 in respect of Agartala Gas Turbine Station.

And in the matter of

North Eastern Electric Power Corporation Limited

.... Petitioner

Vs

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

....Respondents

The following were present:

- 1) Shri. P.K.Bora, NEEPCO
- 2) Shri D.Dey, NEEPCO
- 3) Ms. C.Ranee, NEEPCO
- 4) Shri R.Kapoor, ASEB
- 5) Shri H.M.Sharma, ASEB
- 6) Shri K.Goswami, ASEB

**ORDER
(DATE OF HEARING: 26.10.2006)**

This petition has been filed for approval of additional capital expenditure for the period 1.4.2003 to 31.3.2004 and revision of the relevant components of

annual fixed charges for Agartala Gas Turbine Station (84 MW) (hereinafter referred to as “the generating station”).

2. The investment approval for the generating station was initially accorded by Ministry of Power under its letter dated 9.12.1994 at an estimated cost of Rs.29405 lakh, including IDC of Rs.2697 lakh. The estimated completion cost for the generating station was subsequently revised by Ministry of Power under its letter dated 28.12.2004, to Rs.32255 lakh; capital cost of Rs.31760 lakh plus WCM of Rs.495 lakh. The generating station which comprises of four units, was declared under commercial operation on 1.8.1998 against the scheduled date of May 1996.

3. The tariff for the generating station for the year 2003-04 was determined by the Commission in its order dated 9.9.2005 in Petition No 32/2003, at the capital cost of Rs.31910 lakh (including impact of FERV up to 31.3.2003) as on 1.4.2003 against the petitioner’s claim of Rs.32488 lakh. The petitioner sought review of the said order dated 9.9.2005 on various grounds, including the review of capital cost considered, which was not accepted by the Commission.

4. In the present petition, the petitioner has claimed additional capitalisation for the year 2003-04, as detailed below:

| (Rs.in lakh) | |
|---|---------------|
| 2003-04 | |
| A. Works within the scope of approved cost | |
| a. FERV | 383.03 |
| b. Balance payments/ Balance works | 166.32 |
| Total | 549.35 |
| B. Works not within the scope of approved cost | |
| a. New works capitalized under other than approved cost | 10.75 |

| | |
|---|---------------|
| b. New works undertaken for improvement of performance and efficiency | 5.91 |
| Total | 16.66 |
| Total Additional capitalization claimed (A+B) | 566.01 |

5. The petitioner has also sought revision of fixed charges on the basis of above additional capitalization.

6. Tripura State Electricity Corporation Limited and Assam State Electricity Board in their replies to the petition have objected to the claim for the revised fixed charges on the ground that as per the Commission's regulations applicable for the period 1.4.2001 to 31.3.2004, where the additional capitalisation is less than 20%, tariff revision needs to be considered in the next tariff period only.

7. The additional capitalization, excluding FERV is Rs.183 lakh, out of which amount of Rs.166 lakh pertains to balance payments/ balance works within the scope of approved cost and Rs.16.7 lakh pertain to new works not within the scope of approved cost.

Foreign Exchange Rate Variations

8. As already noted, the Commission in its order dated 9.9.2005 restricted the capital cost to Rs. 31910 lakh as on 31.3.2003, including FERV for the period up to 31.3.2003. FERV of Rs 383.03 lakh claimed during 2003-04 is on account of the foreign loan approved by the Central Government and employed during construction period. Hence, the expenditure of Rs 383.03 lakh on this account is permissible and will be considered as part of the gross block in accordance with law.

Additional capital expenditure within the scope of approved cost

9. The petitioner's claim in Petition No 32/2003 for additional capital expenditure of Rs.183 lakh on account of balance works during 2003-04 within the original scope of the project was not allowed in the order dated 9.9.2005. The petitioner has now revised the claim to Rs.166.32 lakh as additional capitalisation towards balance works within the original scope of the approved cost and the remaining Rs.16.66 lakh as new works not within the approved cost. The additional capital expenditure of Rs 166.32 lakh as balance payments/ balance works during 2003-04 is not allowed for the reasons already recorded in the order dated 9.9.2005 while rejecting the petitioner's claim for capitalization of Rs 183 lakh.

Additional Capital Expenditure on New Works not within the approved cost

10. The petitioner has claimed additional capital expenditure of Rs.10.75 lakh on the following works under new works not in the scope of approved cost:

- (i) Deep tubewell constructed to meet the requirement of water during dry season.
- (i) Purchase of tools and tackles based on the requirement for maintenance of power house.
- (ii) Purchase of computer table, chair etc.

11. The expenditure on construction of deep tubewell is allowed considering the depletion in water level in dry season. Additional expenditure for purchasing computer table, chair etc as also the expenditure on tools and tackles is considered to be justified and is allowed. Accordingly, the additional capital expenditure of Rs 10.75 lakh under these heads is allowed.

12. The petitioner has also claimed additional capital expenditure of Rs.5.91 lakh under new works for improvement in performance and efficiency of the generating station as follows :

- (i) Purchase of computer and Fax machine required for implementation of ABT
- (ii) Purchase of Window-type Air conditioning machine for power house for keeping electronic card.
- (iii) Purchase of books and manuals, drawing equipment, Public address system, Model of AGTP etc., for updating knowledge of latest development in the field of technology and to meet the requirement of control room, conference room and the trainees.

13. The additional capital expenditure of Rs. 5.91 lakh for the works stated above is also considered to be justified and is allowed.

14. Based on discussions in the above paragraphs, the following additional capital expenditure is allowed:

| (Rs in lakh) | |
|---|----------------|
| | 2003-04 |
| FERV | 383.031 |
| (A) Works within the scope of approved cost | |
| Balance payments/ Balance works | 0.000 |
| | |
| (B) Works not within the scope of the approved cost | |
| a. New works capitalized under other than approved cost | 10.753 |
| b. New works undertaken for improvement of performance and efficiency | 5.911 |
| Total Additional capitalization on works (A) + (B) | 16.664 |

16. As regards the claim for revision of fixed charges for the period 1.4.2003 to 31.3.2004, as the additional capital expenditure incurred during the tariff period is less than 20% of the approved capital cost, revision of tariff during the tariff period 2003-04 is not permissible under the regulations applicable for the relevant period, as pointed out by the respondents. However, the additional capital expenditure allowed shall be added to the gross block as on 1.4.2003 to arrive at the gross block as on 1.4.2004 for the purpose of fixation of tariff for the tariff period 2004-09.

17. After taking into account additional capitalisation allowed on works for the year 2003-04 (excluding FERV), the opening gross block as on 1.4.2004 works out as follows:

| (Rs. in lakh) | |
|------------------------------|-----------------|
| | 2003-04 |
| Capital cost as on 1.4.2003 | 31910.00 |
| Additional capitalisation | 16.66 |
| Capital cost as on 31.3.2004 | 31926.66 |

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

Sd/-
(A.H. JUNG)
MEMBER

Sd/-
(BHANU BHUSHAN)
MEMBER

Sd/-
(ASHOK BASU)
CHAIRPERSON

New Delhi dated the 9th January, 2007