

2. Faridabad GPS (431.586 MW) comprises of two gas turbines of 140.827 MW each and one steam turbine of 149.932 MW. The generating station was commissioned on 1.1.2001. The Central Government in Ministry of Power by its letter dated 24.7.1997 had accorded approval for the cost estimates of Rs.1163.60 crore, including IDC of 90.04 crore for a nominal capacity of 400 MW and within the range of 330 MW to 430 MW.

3. The terms and conditions for determination of tariff for the period 1.4.2001 to 31.3.2004 were notified by the Commission on 26.3.2001 in terms of the Central Electricity Regulatory Commission (Terms & Conditions of Tariff) Regulations, 2001 (hereinafter referred to as “the notification dated 26.3.2001”). A petition (No.81/2002) was filed by the petitioner for approval of tariff for the period from 1.4.2001 to 31.3.2004 in respect of Faridabad GPS, the basis for which was stated to be the notification dated 26.3.2001. In the tariff claimed, the petitioner had considered the impact of additional capitalisation for the period 1.4.2001 to 31.3.2004. The tariff was approved by the Commission by its order dated 30.6.2003. For the purpose of tariff, the capital cost of Rs.902.90 crore as on 1.4.2001 was considered. The additional capitalisation claimed by the petitioner was not considered since it was based on the estimated capital expenditure and was without the supporting auditor’s certificate.

4. The year-wise details of additional capitalisation claimed in the present petition with reference to the balance sheet are as follows:

(Rs. in lakh)

	2001-02	2002-03	2003-04	Total
As per balance sheet(A)	1449.092	1718.168	633.843	3801.103
Exclusions(B)	0.00	(-) 17.298	(-) 364.187	(-) 381.485
As claimed (A-B)	1449.092	1735.456	998.031	4182.579

5. Based on the above, the petitioner has claimed the revised fixed charges.

6. The petitioner's claim for additional capitalisation and the revised fixed charges is based on Clause 1.10 of the notification dated 26.3.2001, reproduced hereunder:

"1.10 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 exceeds 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."

Additional Capitalisation

7. In the first instance, we consider the admissibility of additional capital expenditure claimed in the present petition.

8. The year-wise and category-wise break up of additional expenditure claimed by the petitioner is as follows:

(Rs. in lakh)

	2001-02	2002-03	2003-04	Total
A) Works with in the scope of approved Capital cost/Admitted works by CERC				
a) Balance payment/Balance works	342.295	(-) 388.898	52.302	5.699
b) New works	1106.797	612.057	456.974	2175.828
c) Spares capitalised	0.00	1512.228	488.645	2000.873
d) Inter-unit Transfers	0.00	0.069	0.110	0.179
e) Rearrangement	0.00	0.00	0.00	0.00
Total (A) (a+b+c+d+e)	1449.092	1735.456	998.031	4182.579

9. The expenditure claimed for additional capitalisation and our decisions thereon are as under:

(a) Out of the additional capital expenditure claimed by the petitioner as given in the table above, most of the expenditure relates to new works and spares within the scope of approved project cost. The additional capital expenditure on balance payments/balance works and new works

within the scope of approved project cost has been examined and is found to be in order and has been allowed to be capitalised.

- (b) An amount of Rs. 0.179 lakh has been claimed on account of inter-unit transfer of cell phones and sofa set for the AGM. The petitioner during the hearing confirmed that value of assets has been de-capitalised from the books of accounts of the station from which these assets have been transferred. This being the new station, assets have been transferred as new additional asset, inter-unit transfer of assets has been allowed to be capitalised.
- (c) The petitioner has claimed additional capitalisation of initial capital spares within the original scope of Rs.20.00 crore. These spares have been bought by the petitioner over a period of 3 years. The admitted capital cost of Rs.902.90 crore as on 1.4.2001 includes the initial spares of Rs.14.74 crore which were about 1.30% of the approved cost of Rs.1134.49 crore excluding WCM. With additional capitalisation of Rs.20.00 crore, the total cost of initial capital spares works out to Rs.34.74 crore, which is about 3.06% of the approved cost of Rs.1134.49 crore. The initial capital spares of 3.06% are considered to be in order and considering the fact that this is a station with the date of commercial operation on 1.1.2001, the capitalisation of spares has been allowed.
- (d) The petitioner has claimed re-capitalisation of an amount of Rs.17.298 lakh during 2002-03 and Rs.364.187 lakh during 2003-04 (Total Rs.381.485 lakh) against certain defective items which were decapitalised, against which procurement action is stated to have been initiated. We have not allowed re-capitalisation of this amount as the

expenditure will be incurred only when procurement process is completed. However, as and when the items are procured, the petitioner may approach the Commission for capitalisation of the expenditure incurred.

10. In the light of above discussion, the following additional capital expenditure has been allowed:

(Rs. in lakh)

	2001-02	2002-03	2003-04	Total
A) Works with in the scope of approved Capital cost/Admitted cost by CERC				
a) Balance payment/Balance works	342.295	(-) 388.898	52.302	5.699
b) New works	1106.797	612.057	456.974	2175.828
c) Spares capitalised	0.00	1512.228	488.645	2000.873
d) Inter-unit Transfers	0.00	0.069	0.110	0.179
e) Rearrangement	0.00	0.00	0.00	0.00
Total (A) (a+b+c+d+e)	1449.092	1735.456	998.031	4182.579
Decapitalisation	0.00	(-) 17.298	(-) 364.187	(-) 381.485
Net Additional capitalisation	1449.092	1718.168	633.843	3801.103

11. Next arises the question of revision of fixed charges for the period 1.4.2001 to 31.3.2004. In our order dated 31.3.2005 in Petition No. 139/2004, (National Thermal Power Corporation Ltd Vs Uttar Pradesh Power Corporation Ltd and others) the Commission has held that the additional capital expenditure incurred during the tariff period, not exceeding 20% of the approved capital cost, does not qualify for retrospective revision of tariff. In the present case, the additional capital expenditure approved is less than 20% of the approved cost. For the reasons given in the said order dated 31.3.2005, the retrospective revision of fixed charges for the period 1.4.2001 to 31.3.2004 is not warranted. However, the additional capital expenditure approved shall be added to the gross block as on 1.4.2001 to arrive at the gross block as on 1.4.2004 for the purpose of fixation of tariff for the tariff period 2004-05 to 2008-09.

12. After taking into account additional capitalisation as allowed, the gross block as on 31.3.2004 is worked out as follows:

(Rs. in crore)	
Capital cost as on 1.4.2001	902.900
Additional capitalization for 2001-04	38.011
Capital cost as on 31.3.2004	940.911

13. As such, the opening gross block for the purpose of tariff for the period 2004-09 as on 1.4.2004 shall be Rs.940.911 crore.

14. Further, for the reasons recorded in order dated 31.3.2005 in Petition No.139/2004, the petitioner shall be entitled to earn return on equity @ 16% on the equity portion of additional capitalisation now approved by us. Similarly, the petitioner shall also be entitled to interest on loan at the rate, as applicable, during the relevant period. Return on equity and interest shall be worked out on the additional capitalisation from 1st April of the financial year following the financial year to which additional capital expenditure relates and up to 31.3.2004. The lump sum of the amount of return on equity and interest on loan so arrived shall be payable by the respondents along with the tariff for the period 2004-09 to be approved by the Commission. The exact entitlement of the petitioner on this account shall be considered by the Commission while approving tariff for the period 2004-09.

15. With the above, petition stands disposed of.

Sd/-
(BHANU BHUSHAN)
MEMBER

Sd/-
(K.N. SINHA)
MEMBER

Sd/-
(ASHOK BASU)
CHAIRMAN

New Delhi dated the 7th April 2005