

CENTRAL ELECTRICITY REGULATORY COMMISSION

RECORD OF PROCEEDINGS

Petition No.15/2009

Subject: Allowing capitalization of Foreign Exchange Rate Variation

Coram: 1. Dr. Pramod Deo, Chairperson
2. Shri. R.Krishnamoorthy, Member
3. Shri. S. Jayaraman, Member
4. Shri. V.S.Verma, Member

Petitioner: NTPC Ltd

Respondents: None

Date of hearing: **17.3.2009**

Parties present: 1. Shri S.K.Mandal, NTPC
2. Shri D.G.Salpekar, NTPC
3. Ms. Alka Saigal, NTPC

The petitioner has made this application with specific prayers as follows:

- (a) Allow notional capitalization of FERV on loans up to the COD as part of admitted capital cost for tariff
- (b) Allow notional capitalization of FERV on settlement / reinstatement of monetary items in respect of contracts awarded for acquisition of fixed assets upto COD and after COD as part of admitted capital cost for tariff
- (c) Pass any other order as it may deem fit in the circumstances mentioned above.

2. The representative of the petitioner submitted that the petition is for treatment of the impact of Foreign Exchange Rate Variation (FERV) for foreign currency loans taken over the years in different currencies and for construction and acquisition of power plant assets. The representative of the petitioner also submitted that it is required to statutorily maintain its accounts as per the provisions of the Companies Act 1956 and follow the Accounting Standard (AS) as notified through the Companies (Accounting Standard) Rules, 2006 as amended from time to time. The representative of the petitioner further submitted that for the purposes of tariff, the FERV up to the date of commercial operation

was capitalized as IEDC and formed part of the capital cost whereas FERV after the date of commercial operation was recovered from the beneficiaries in terms of the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2004. The representative of the petitioner submitted that in terms of the opinion of the Expert Advisory Committee of the ICAI, the accounting of FERV arising out of loan or contracts entered into on or after 1.4.2004 (which was getting capitalized as IEDC up to the date of commercial operation) would be charged to Profit & Loss account, irrespective of the fact whether the assets are under construction or operation and therefore prayed that in principle approval may be accorded by the Commission allowing the impact of FERV arising out of loan or contracts entered into on or after 1.4.2004, to be part of the capital cost.

3. The Commission admitted the petition and ordered notice to the respondents. The petitioner was directed to serve copy of the petition upon the respondents latest by 25.3.2009. The respondents would file their response by 15.4.2009 with a copy to the petitioner who may file its rejoinder, if any, by 30.4.2009.

4. The petition shall be notified for hearing on 12.5.2009.

Sd/-
(K.S.Dhingra)
Chief (Legal)