

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Record of Proceedings

Petition No.11/2009

Subject: Revision of fixed charges on account of additional capital expenditure incurred during the period from 2007-08 and 2008-09, for NLC TPS-II Stage-I (630 MW) and Stage-II (840 MW).

Petition No.13/2009

Subject: Revision of fixed charges on account of additional capital expenditure incurred during the period from 2007-08 and 2008-09, for NLC TPS-I (600 MW).

Petition No.14/2009

Subject: Revision of fixed charges on account of additional capital expenditure incurred during the period 2007-08 2008-09 for NLC-TPS-I (Expansion)(2x210 MW).

Date of Hearing: 15.9.2009

Coram: Dr. Pramod Deo, Chairperson
Shri R.Krishnamoorthy, Member
Shri V.S.Verma, Member

Petitioner: NLC

Respondents: TNEB, PCKL, KSEB, Electricity Dept, Puducherry, APTRANSCO,

Parties present: Shri N.A.K.Sarma, Advocate, NLC
Shri R.Suresh, NLC
Shri. E.Gnanaprakasam, NLC
Shri S.Soumyanarayanan, TNEB

These petitions have been filed by the petitioner, NLC for revision of fixed charges on account of additional capital expenditure incurred during the years 2007-08 and 2008-09 for its generating stations, based on the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2004 (hereinafter referred to as "the 2004 regulations")

2. Learned counsel for the petitioner submitted that in terms of the directions contained in the Commission's order dated 23.3.2009, it had filed the amended petitions claiming capitalization of the expenditure actually incurred during 2007-08 and 2008-09. He stated that the petitioner had served copies on the respondents. Learned counsel

also submitted that the petitioner had claimed capitalization of the expenditure under sub-clause (ii) and (iv) of clause (2) of Regulation 18 of the 2004 regulations. He further requested the Commission to exercise its discretion in the application of the norms regarding capitalization of spares and minor assets, since the ceiling on the capitalization of spares/assets in terms of the norms, would adversely affect the functioning of the generating stations. Learned counsel further submitted that the issues raised by the respondent TNEB, in its reply, had been clarified by the petitioner in its rejoinder and prayed the Commission to allow capitalization of the expenditure, as claimed in the amended petitions, and revise the tariff based on such expenditure.

3. In response, the representative of the respondent, TNEB submitted that the Commission should consider the normative debt-equity ratio of 70:30 in respect of the funding of additional capital expenditure, in terms of Note-3 below Regulation 53 read with Regulation 54 of the 2004 regulations. The representative pointed out that the claim for capitalization on certain assets like circuit breakers etc, as replacement, may not be considered as the petitioner had not provided any justification for the premature retirement of the original assets. He added that the capitalization of initial spares over and above the ceiling norm of 2.5%, as prescribed under the 2004 regulations, may not be allowed. He further submitted that the expenditure on certain assets like furniture, electronic items, transformer oil filters etc and expenditure on certain items not connected with generation, may not be allowed to be capitalized. The representative of TNEB prayed that the reply filed by it be taken into account while examining the claims of the petitioner.

4. After hearing the representative of the parties, the Commission reserved orders on the petitions.

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