

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Petition No. 207/2010

Coram: 1. Dr. Pramod Deo, Chairperson
2. Shri S.Jayaraman, Member
3. Shri V.S.Verma, Member
4. Shri M.Deena Dayalan, Member

DATE OF HEARING: 11.1.2011

DATE OF ORDER: 19.4.2011

IN THE MATTER OF

Re-determination of generation tariff for the period from 1.4.2008 to 31.3.2009 after considering the impact of additional capitalization as on 31.3.2009 for Indira Sagar Power Station (8 x 125 MW).

AND IN THE MATTER OF

Narmada Hydroelectric Development Corporation Ltd, Bhopal**Petitioner**
Vs

1. Madhya Pradesh State Electricity Board, Jabalpur
2. Narmada Valley Development Department, Bhopal**Respondents**

The following were present:

1. Shri Subhash Sanyal, NHDC
2. Shri Anurag Seth, NHDC
3. Shri Ashish Jain, NHDC
4. Shri Anurag Naik, MPPTCL

ORDER

This petition has been filed by the petitioner, NHDC Ltd, for re-determination of generation tariff for Indira Sagar Power Station (8 x 125 MW) (hereinafter referred to as "the generating station") for the period from 1.4.2008 to 31.3.2009 after considering the impact of additional capitalization as on 31.3.2009, based on the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2004 (hereinafter referred to as "the 2004 regulations").



2. The petitioner has made the following specific prayers:

(a) The Hon'ble Commission may re-determine and revise the Final Fixed Charges on account of additional capitalization of Indira Sagar Project for the period 01/04/2008 to 31/03/2009 as per para-24.

(b) NHDC may be allowed to bill the beneficiaries for consequent increase in levies, taxes, duties, cess, etc. (including MAT).

(c) Consequent increase in CI incentive for the period from the period 01/04/2008 to 31/03/2009 may be allowed to recover from the beneficiary.

(d) The other terms and conditions pronounced in the Final tariff order dated 6.2.2007 of Hon'ble Commission in Petition No.119/2005 and Tariff Order dated 20-10-2009 in Petition No.33/2009 may be allowed to remain applicable.

(e) The Hon'ble CERC may take note of the status as indicated in Para 25 and may like Respondent No.2 to apprise the latest status in the matter to Hon'ble CERC.

(f) Pass such order and further order/orders, as are deemed fit and proper in the facts and circumstances of the case

3. The generating station comprises of three units, of which Unit-I comprise of dam and appurtenant works, Unit-II comprise of irrigation system and Unit-III is dedicated to power generation. Unit-I is common to both power generation and irrigation system. Unit-III comprises power station with installation of 8 machines each of 125 MW installed capacity, associated water conductor system and switchyard. The tariff for the generating station for the period from 1.4.2004 to 31.3.2009 was approved by the Commission by order dated 6.2.2007 in Petition No.119/2005 based on the capital cost of Rs.294991.98 lakh as on 24.8.2005. Subsequently, by Commission's order dated 20.10.2009 in Petition No. 33/2009, the tariff of the generating station was revised after considering the additional capital expenditure incurred for the period 25.8.2005 to 31.3.2008 based on the capital cost of ₹305861.71 lakh as on 31.3.2008, as stated overleaf:



| (₹ in lakh) | | | | |
|------------------------------|-----------------------------------|-----------------|-----------------|-----------------|
| Particulars | 25.8.2005 to 31.3.2006 | 2006-07 | 2007-08 | 2008-09 |
| Depreciation | 3831.91 | 6450.56 | 6555.17 | 6608.55 |
| Interest on Loan | 8323.84 | 13651.41 | 13100.17 | 12089.45 |
| Return on Equity | 9483.12 | 15904.77 | 16108.10 | 16211.87 |
| Advance Against Depreciation | 0.00 | 0.00 | 1740.39 | 8497.51 |
| Interest on Working Capital | 629.88 | 1062.63 | 1112.50 | 1240.28 |
| O & M Expenses | 2654.93 | 4531.08 | 4712.32 | 4900.81 |
| TOTAL | 24923.68 | 41600.46 | 43328.63 | 49548.47 |

4. Reply to the petition has been filed by both the respondents.
5. The annual fixed charges claimed by the petitioner for the period 2008-09 is as under:

| (₹ in lakh) | |
|------------------------------|-----------------|
| Annual Fixed Charges | 2008-09 |
| Depreciation | 6648.71 |
| Interest on Loan | 12573.78 |
| Return on Equity | 16289.95 |
| Advance against Depreciation | 8359.18 |
| Interest on Working Capital | 1248.35 |
| O & M Expenses | 4900.81 |
| Total | 50020.78 |

CAPITAL COST

(A) Capital Cost as on 1.4.2008

6. As stated above, the Commission vide its order dated 20.10.2009 in Petition No. 33/2009 had approved the capital cost of ₹305861.71 lakh as on 31.3.2008, after taking into account the additional capital expenditure for the period 25.8.2005 to 31.3.2008. Accordingly, the capital cost of ₹305861.71 lakh as on 31.3.2008 has been considered as the opening capital cost as on 1.4.2008.

ADDITIONAL CAPITALISATION

7. Regulation 34 of the 2004 regulations provides as under:

“(1) The following capital expenditure within the original scope of work actually incurred after the date of commercial operation and up to the cut-off date may be admitted by the Commission subject to prudence check.

- (i) *Deferred liabilities,*



- (ii) Works deferred for execution,
- (iii) Procurement of initial capital spares in the original scope of works subject to ceiling specified in regulation 33,
- (iv) Liabilities to meet award of arbitration or in compliance of the order or decree of a court, and
- (v) On account of change in law.

Provided that original scope of works along with estimates of expenditure shall be submitted along with the application for provisional tariff.

Provided further that a list of the deferred liabilities and works deferred for execution shall be submitted along with the application for final tariff after the date of commercial operation of generating station.

(2) Subject to the provision of clause (3) of this regulation, the capital expenditure of the following nature actually incurred after the cut-off date may be admitted by the Commission subject to prudence check:

- (i) Deferred liabilities relating to works/services within the original scope of work;
- (ii) Liabilities to meet award of arbitration or in compliance of the order or decree of a court;
- (iii) On account of change in law; and
- (iv) Any additional works/service which has become necessary for efficient and successful operation of plant but not included in the original capital cost.

(3) Any expenditure incurred on acquiring minor items/assets like tools and tackles, personal computers, furniture, air-conditioners, voltage stabilizers, refrigerators, coolers, fans, T.V, washing machine, heat-convectors, mattresses, carpets, etc brought after the cut off date shall not be considered for additional capitalization for determination of tariff with effect from 1.4.2004.

Note

The list of items is illustrative and not exhaustive.

(4) Impact of additional capitalization in tariff revision may be considered by the Commission twice in a tariff period, including revision of tariff after the cut-off date.

Note 1

Any expenditure admitted on account of committed liabilities within the original scope of work and the expenditure deferred on techno-economic grounds but falling within the original scope of work shall be serviced in the normative debt-equity ratio specified in regulation 36.

Note 2

Any expenditure on replacement of old assets shall be considered after writing off the gross value of the original assets from the original capital cost, except such items as are listed in Clause (3) of this regulation.

Note 3

Any expenditure admitted by the Commission for determination of tariff on account of new works not in the original scope of work shall be serviced in the normative debt-equity ratio specified in regulation 36.

Note 4

Any expenditure admitted on renovation and modernization and life extension shall be serviced on normative debt-equity ratio specified in regulation 36 after writing off the original amount of the replaced assets from the original capital cost."

8. The additional capital expenditure claimed as per books of accounts is as under:

| <i>(₹ in lakh)</i> | |
|---|----------------|
| | 2008-09 |
| Additional Capitalization as per books of Accounts (A) | 7091.56 |
| Exclusions | |
| Minor Assets -Category C (Regulation 34 (3)) | 61.70 |
| Total Exclusions (B) | 61.70 |
| Additional capital expenditure claimed for the purpose of tariff C=A-B | 7029.86 |

Minor Assets-Category C

9. Clause 3 of Regulation 34 of the 2004 regulations does not permit the capitalization of minor assets. The petitioner has therefore excluded a gross amount of ₹61.70 lakh incurred towards the procurement of minor assets for the year 2008-09, for the purpose of tariff.

10. The respondent No.1, MPPTCL has submitted that apart from the exclusions claimed by the petitioner on account of minor assets, assets amounting to ₹174 lakh attributable to the power component may be deducted from the claim for minor assets.

11. It is observed that the claim of the petitioner for exclusion of ₹61.70 lakh for 2008-09 includes ₹46.64 lakh as exclusion in respect of power component and ₹15.06 lakh, as exclusion for other components. Thus, most of the minor assets have



been considered by the petitioner as exclusion. On prudence check, the said claim is found to be in order and has been allowed as exclusions.

12. The petitioner by its affidavits dated 15.7.2010 and 15.10.2010 respectively has submitted the details of capitalization of items under different clauses of Regulation 34 of the 2004 regulations. The year-wise and category-wise break-up of the additional expenditure claimed by petitioner is as stated overleaf:

| | | (₹ in lakh) |
|----------|--|----------------|
| Sl. No. | Capitalization Code | 2008-09 |
| A | Additions | |
| (i) | Regulation 34 (2) (i) | 3147.75 |
| (ii) | Regulation 34 (2) (ii) | 3691.60 |
| (iii) | Regulation 34 (2) (iv) | 197.44 |
| | Total Additions | 7036.80 |
| B | Deletion claimed on account of de-capitalization | 6.93 |
| C | Additional Capitalization to be claimed (C=A-B) | 7029.86 |

13. After examining the asset-wise details and justification for additional capitalization claimed by the petitioner under various categories and by applying prudence check, the admissibility of the additional capital expenditure is discussed in the subsequent paragraphs.

Deferred liabilities relating to works/services within the original scope of work- Regulation 34(2)(i):

14. The petitioner has claimed ₹3147.75 lakh during 2008-09 under this head. The claim includes expenditure after the cut-off date in order to meet deferred liabilities towards original scope of work executed prior to the cut-off date. The claim for an amount of ₹3147.75 lakh for the 2008-09 is in order and hence allowed to be capitalized.

Liabilities to meet award of arbitration or in compliance of the order or decree of a court- Regulation 34(2)(ii)

15. The petitioner has claimed ₹3691.60 lakh during the year 2008-09, for balance R & R works as per orders of the Hon'ble Supreme Court and the High Court of Madhya Pradesh, under this head. In view of this, the claim of amount of ₹3691.60 lakh for the year 2008-09 is in order and hence allowed.

Additional works/service which have become necessary for efficient and successful operation of plant but not included in the original plant cost- Regulation 34(2)(iv)

16. The petitioner has claimed an amount of ₹197.44 lakh during 2008-09, under this head in respect of assets like security, fire fighting, inter-State ABT implementation, de-watering facilities up-gradation, minor assets like tools and tackles, electrical equipments and some other assets, which pertain to the original scope of work but could not be executed within the cut-off date.

17. The additional capital expenditure claimed by the petitioner under this regulation can be categorized as under:

- (a) Expenditure pertaining to the main plant.
- (b) Expenditure on tools and tackles.
- (c) Expenditure on civil works and infrastructure etc.

18. The expenditure on main plant claimed by the petitioner is as under:

| Sl No. | NAME OF ASSETS | Amount (₹ in lakh) |
|--------|--|-----------------------|
| 1 | DM water plant | 0.28 |
| 2 | Portable constant current charger suitable for charging of plant lead acid cells | 2.45 |
| 3 | Power Transformer 3 Phase 415V/265V 145 KVA as cooled primary tops | 0.14 |
| 4 | Electromagnetic Flow Metre NIVo control Flow range 0 to 1200LPM | 3.97 |
| 5 | 3 phase Squirrel Cage induction motor 168KV 415 V Ac 50HZ 1480 RPM class insulation iop-21 continious duty vertical Hollow shaft | 7.50 |

| | | |
|----|---|--------------|
| | with SPDP enclosure | |
| 6 | 390KV CGL make surge arrestor model Zlax | 5.96 |
| 7 | Turbine Dewatering Pump of 1800LPM inside powerhouse | 6.51 |
| 8 | 3 Phase 25 Hp submersible pump along with 10 mtr sub cable | 9.44 |
| 9 | Inline Booster Pump Motor Set 1500 lpm Dis cap model CWM 201 | 1.68 |
| 10 | Dowty Gear Pump 06 no inlet outlet block for pump 12 nos.in line check valves 80lpm 18 nos & electric motor .75 KW 1 hp 3 phase 415 w ac 07 no | 1.89 |
| 11 | Submersible Pump Texmo Make 1.5 Hp HDPE pipe wire rope clamp etc. | 0.25 |
| 12 | Air cooled Diesel Engine Make Kirloskar Make 83 BHP 1500 run with diesel tank 200 ltr self start battery | 6.55 |
| 13 | 3 Phase squirrel cage induction motor foot mounted type HX continuous duty S1 Uo55 suitable for star delta starting conforming to IS325-1996 insulation class F | 0.96 |
| 14 | Mono block pump set 3 phase squirrel cage induction with motor pump foot mounted Type | 0.29 |
| 15 | Fork lift truck of capacity 3.0 tons with all accessories tool kit & battery | 8.06 |
| | TOTAL | 55.93 |

19. The date of commercial operation of the generating station is 24.8.2005. The petitioner has not given any justification as to how the above expenditure was necessitated for efficiency of the generating station after three years of its commercial operation. Accordingly, the claim is not justifiable and has been disallowed.

20. The expenditure claimed under on tools and tackles are as stated overleaf:

| Sl No. | NAME OF ASSETS | Amount (₹ in lakh) |
|--------|--|-----------------------|
| 1 | Portable plasma and cutting machine | 8.65 |
| 2 | Welding machine | 4.76 |
| 3 | Megger BM25, 5 KV insulation tester along with included accessories. | 2.53 |
| 4 | Meeger 8101-183-High voltage test lead 15 mtr | 0.34 |
| 5 | Contamination checking kit | 0.28 |
| 6 | Temperature calibrator | 2.14 |
| 7 | AC/DC voltage and current source calibrating instrument | 6.08 |

21. In terms of Regulation 18(3) of the 2004 regulations, expenditure on minor assets in the nature of tools and tackles are not allowed to be capitalized. Based on this, the expenditure as above claimed by the petitioner in respect of assets which are in the nature of tools and tackles, has not been allowed for capitalization.

22. The claim for ₹15.27 lakh in respect of assets like Civil works and infrastructure of the office complex etc, related to Corporate Office has not been allowed.

23. Accordingly, out of the total claim of ₹197.44 lakh for 2008-09, only an amount of ₹101.46 lakh has been allowed to be capitalized in respect of assets which relate to the original scope of work, security, fire fighting and interstate ABT implementation and which are considered necessary for the efficient operation of the generating station.

De-capitalization of assets

24. In addition to the above, the petitioner has de-capitalized an amount of ₹6.93 lakh in respect of assets like submersible pumps, digital camera, auto level with stand etc, which have been transferred to other generating stations of the petitioner and also for adjustment of minor assets. This is justified and hence the said amount is allowed to be de-capitalized.

25. Based on the above discussions, the additional capital expenditure allowed, prior to the adjustment of power component, R&R subvention and un-discharged liabilities, is as stated as under:

| | | <i>(₹ in lakh)</i> |
|----------------|--|--------------------|
| Sl. No. | Particulars | 2008-09 |
| A. | Additions | |
| (i) | Regulation 34 (2) (i) | 3147.75 |
| (ii) | Regulation 34 (2) (ii) | 3691.60 |
| (iii) | Regulation 34 (2) (iv) | 101.46 |
| | Sub-total | 6940.82 |
| B. | Deletions | 6.93 |
| C. | Additional Capitalization allowed prior to adjustment of exclusions not allowed (C= A-B) | 6933.88 |
| D. | Exclusions | |
| (i) | Minor Assets-Category (C) Regulation 34(3) | 61.70 |
| E. | Exclusions not allowed | 0.00 |
| F. | Gross additional capital expenditure allowed (C+E) | 6933.88 |

Power component

26. The additional capitalization as claimed by the petitioner includes Sardar Sarovar Project (SSP) components, Irrigation components and Power components. In terms of order dated 6.2.2007 in Petition No. 119/2005, the basis of apportionment is as under:

| | |
|----------------------------------|---|
| Sardar Sarovar Project Component | 17.63% of Cost of Unit-I |
| Irrigation Component | 16.75% of (Unit-I – Sardar Sarovar Project Component) |
| Power Component in Unit-I | [Unit- I – (Sardar Sarovar Component + Irrigation Component)] |
| Power Component in Unit-III | 100% |

27. Based on prudence check and the apportionment made on the basis as stated above, the Power component items in respect of the generating station works out to ₹4867.27 lakh for the year 2008-09 which is allowed as under:

| | | (₹ in lakh) |
|---------|--|----------------|
| Sr. No. | Particulars | 2008-09 |
| 1 | Gross additional capital expenditure allowed | 6933.88 |
| 2 | Allowable additional capital expenditure: Unit I | 6575.91 |
| (a) | SSP component (17.63% of Unit I) | 1159.33 |
| (b) | Irrigation component-16.75% of (Unit I-SSP Component) | 907.28 |
| (c) | Power component in Unit-I=[Unit-I-(SSP component + Irrigation component)] | 4509.30 |
| (d) | Power Component in Unit III | 357.98 |
| (e) | Additional capital expenditure allowed (Power component including R&R Subvention) [2c + 2d] | 4867.27 |

Additional capital expenditure allowed after R&R Subvention and the un-discharged liabilities included in the Power component:

(A) R&R Subvention

28. As stated above, the additional capital expenditure allowed includes R&R subvention approved by the State Govt. of Madhya Pradesh. The R&R subvention allowed by the Government is in the nature of grants and as such, the same has been deducted from the admitted additional capital expenditure. The petitioner has submitted that it has received an R&R subvention amount of ₹1228 lakh. However, the petitioner has not indicated any R&R subvention against an amount of ₹109.19

lakh, paid to the Narmada Valley Development Authority (NVDA) &and the Respondent No.2 namely the Narmada Valley Development Department (NVDD), Govt. of Madhya Pradesh, for implementation of the orders of the Courts towards R&R works of the generating station. The R&R subvention receivable against the expenditure of ₹109.91 lakh is worked out as ₹37.44 lakh and the additional capital expenditure allowed is as under:

| <i>(₹ in lakh)</i> | | |
|--------------------|---|----------------|
| Sl.No. | Particular | 2008-09 |
| 1 | Admitted additional capital expenditure for Power component including R&R sub-vention | 4867.27 |
| 2 (a) | R&R subvention in Power component | 1228.00 |
| 2 (b) | Assumed R&R subvention in Power component of Rs.109.19 lakh | 37.44 |
| 2 (c) | Total R&R subvention in Power component [2 (a)+2(b)] | 1265.44 |
| 3 | Additional capital expenditure allowed for Power component excluding R&R Subvention prior to adjustment of un-discharged liabilities [1- 2(c)] | 3601.84 |

(B) Un-discharged liabilities

29. The petitioner vide its affidavit dated 15.7.2010 has submitted details of un-discharged liabilities in the Power component for 2008-09 in its claim for additional capital expenditure as under:

| <i>(₹ in lakh)</i> | | |
|---------------------------|------------------|------------------|
| Particulars | 31.3.2008 | 31.3.2009 |
| Un-discharged liabilities | 6192.00 | 6204.00 |

30. The un-discharged liabilities have been deducted from the year in which it has been claimed and added to the years in which these liabilities have been discharged.

Additional Capital Expenditure

31. The additional capital expenditure allowed for 2008-09 after excluding the un-discharged liabilities is as stated overleaf:



| | | (₹ in lakh) |
|-----------|---|----------------|
| Sl. No. | PARTICULARS | 2008-09 |
| 1. | Additional capital expenditure allowed after adjustment of R&R subvention but prior to adjustment of un-discharged liabilities | 3601.84 |
| 2. | Un-discharged / Discharged liabilities | |
| (a) | Un-discharged liabilities at the beginning of the year | 6192.00 |
| (b) | Un-discharged liabilities as on 31.3.2009 | 6204.00 |
| (c) | Un-discharged liabilities added during the year [2(b)-2(a)] | 12.00 |
| 3. | Additional capital expenditure allowed for the purpose of tariff [1-2(c)] | 3589.84 |

32. As stated at para 6 above, the capital cost of ₹305861.71 lakh as on 31.3.2008 has been considered as the opening capital cost as on 1.4.2008. Taking into account the capital cost of the generating station as on 1.4.2008 and the additional capital expenditure approved for the year 2008-09 as above, the capital cost for the year 2008-09 is worked out as under:

| | | (₹ in lakh) |
|--|--|------------------|
| | | 2008-09 |
| | Opening Capital Cost as on 1 st April of the financial year | 305861.71 |
| | Additional Capitalization allowed for the purpose of tariff | 3589.84 |
| | Capital Cost as on 31 March of the financial year | 309451.55 |

33. The respondent No.1, MPPTCL has submitted that the total expenditure under the head, "Land/R&R" was expected to be around ₹192843 lakh as against the original approved cost of ₹152363 lakh, which amounts to an increase of 26.55% over the approved cost. Accordingly, the respondent has submitted that the expenditure beyond the original approved cost may not be allowed until the revised cost estimate is submitted by the petitioner.

34. In response, the petitioner has submitted that that the net power component of ₹309580 lakh as on 31.3.2009 has been claimed in the instant petition, which is less than the original approved cost of power component of ₹357254 lakh at the

September 2000 price level. As such, there is no need to submit the revised cost estimate and the submission of the respondent deserves to be rejected.

35. As stated above, the capital cost allowed in this order is ₹309541.55 lakh as on 31.3.2009 which is within the approved capital expenditure of ₹357254 lakh at the September 2000 price level. Hence, the contention of the respondent for submission of revised cost estimate is not accepted.

Debt-Equity Ratio

36. Regulation 36 of the 2004 Tariff regulations provides as under:

“(1) In case of the existing generating stations, debt-equity ratio considered by the Commission for the period ending 31.3.2004 shall be considered for determination of tariff with effect from 1.4.2004:

Provided that in cases where the tariff for the period ending 31.3.2004 has not been determined by the Commission, debt-equity ratio shall be as may be decided by the Commission:

Provided further that in case of the existing generating stations where additional capitalization has been completed on or after 1.4.2004 and admitted by the Commission under Regulation 34, equity in the additional capitalization to be considered shall be,-

30% of the additional capital expenditure admitted by the Commission, or equity approved by the competent authority in the financial package, for additional capitalization, or actual equity employed, whichever is the least:

Provided further that in case of additional capital expenditure admitted under the second proviso, the Commission may consider equity of more than 30% if the generating company is able to satisfy the Commission that deployment of such equity of more than 30% was in the interest of general public.

(2) In case of the generating stations for which investment approval was accorded prior to 1.4.2004 and which are likely to be declared under commercial operation during the period 1.4.2004 to 31.3.2009, debt and equity in the ratio of 70:30 shall be considered:

Provided that where equity actually employed to finance the project is less than 30%, the actual debt and equity shall be considered for determination of tariff:

Provided further that the Commission may in appropriate cases consider equity higher than 30% for determination of tariff, where the generating company is able to establish to the satisfaction of the Commission that deployment of equity higher than 30% was in the interest of general public”.

(3) In case of the generating stations for which investment approval is accorded on or after 1.4.2004, debt and equity in the ratio of 70:30 shall be considered for determination of tariff:

Provided that where equity actually employed is more than 30%, equity in excess of 30% shall be treated as notional loan;

Provided further that where deployment of equity is less than 30%, the actual debt and equity shall be considered for determination of tariff.

(4) The debt and equity amount arrived at in accordance with above clause (1), (2) or (3), as the case may be, shall be used for calculation of interest on loan, return on equity, advance against depreciation and foreign exchange rate variation.”

37. In conformity with the above regulations, the debt-equity ratio of 70:30 has been considered for additional capitalization after adjustment of the un-discharged liability. Accordingly, the additional notional equity for the generating station on account of capitalization approved, works out as under:

(₹ in lakh)

| | 2008-09 |
|-----------------|----------------|
| Notional Equity | 1076.95 |

Return on Equity

38. Return on equity is allowed @ 14% on the average normative equity, as under:

(₹ in lakh)

| Return on Equity | 2008-09 |
|-------------------------|-----------------|
| Equity | 115799.06 |
| Additional equity | 1076.95 |
| Closing Equity | 116876.01 |
| Average Equity | 116337.53 |
| Return on Equity @ 14% | 16287.25 |

Interest on Loan

39. The weighted average rate of interest on loan considered in order dated 20.10.2009 in Petition No.33/2009 was 7.6742% per annum.

40. The weighted average rate of interest on loan for the year 2008-09 considered by the petitioner is 7.9138% per annum.

41. The respondent No. 1, MPPTCL has objected to the claim of the petitioner for the weighted average rate of interest considered by the petitioner and has prayed that the same may be disallowed.

42. The petitioner has submitted that the long term loan agreement for the generating station was entered with the bankers during the years 2003 and 2004 and in terms of these agreements, both the bankers and the petitioner were free to exercise put/call option after a lapse of 60 months from the date of first disbursement from the respective banks. Some of the banks, namely, the Bank of India, Oriental Bank of Commerce, Canara Bank, Jammu and Kashmir Bank, Andhra Bank, Dena Bank, United Bank of India, Punjab and Sind Bank, Union Bank of India, SIDBI and Punjab National Bank have exercised the call option. The petitioner has met the requirement of fund to honour the call options as per loan agreements through short term loan from Bank of Baroda, Dena Bank, Jammu and Kashmir Bank, Union Bank of India, Vijaya Bank, Indian Overseas Bank, Allahabad Bank, Central Bank of India, Oriental Bank of Commerce, Syndicate Bank and United Bank of India during intervening periods from January 2009 to March 2009, and finally taking over of the outstanding loan liability by a new consortium of HDFC Bank, Bank of India, Central Bank of India and United Bank of India during the month of July, 2009. The short term loan taken by the petitioner to meet the repayment obligations has been considered in working out the weighted average rate of interest. Accordingly, the weighted average rate of interest, for the year 2008-09 works out to 7.9138% and the same has been allowed.

43. Weighted average interest on loan has been calculated as per the annexure to this order. Interest on loan has been computed as stated overleaf:



(₹ in lakh)

| Interest on Loan | 2008-09 |
|--|-----------------|
| Gross normative loan | 190062.65 |
| Cumulative repayment of loan upto previous year | 24975.91 |
| Net loan-opening | 165086.74 |
| Repayment during the year | 15007.89 |
| Additional loan due to additional capitalization | 2512.89 |
| Net loan-closing | 152591.74 |
| Average loan | 158839.24 |
| Weighted average rate of interest on loan | 7.9138% |
| Interest on loan | 12570.23 |

Depreciation

44. For calculating depreciation, the cumulative depreciation of ₹24975.91 lakh and the weighted average rate of depreciation of 2.16% as per order dated 20.10.2009 in Petition No.33/2009 has been considered. Assets amounting to ₹6.93 lakh has been de-capitalized during 2008-09 which includes SSP components, irrigation components and Power components. The apportionment of de-capitalization in Power component as per order dated 6.2.2007 in Petition No.119/2005, is as under:

(₹ in lakh)

| Sr. No. | Particulars | 2008-09 |
|----------------|--|----------------|
| 1 | Gross deletion allowed | 6.93 |
| 2 | Deletions- Unit-I | 5.47 |
| (a) | SSP component (17.63% of Unit-I) | 0.96 |
| (b) | Irrigation component [16.75% of (Unit-I - SSP Component)] | 0.75 |
| (c) | Power component in Unit-I = [[Unit-I - (SSP Component + Irrigation component)] | 3.75 |
| 3 | Power component – Unit-III | 1.46 |
| 4 | Deletion in Power component [2c + 3] | 5.21 |

45. The amount of cumulative depreciation allowed against the de-capitalized assets has been calculated on pro-rata basis and the same has been adjusted from the cumulative depreciation in the year of de-capitalization. Accordingly, depreciation has been worked out as stated overleaf:

| (₹ in lakh) | |
|--------------------------------|----------------|
| | 2008-09 |
| Opening capital cost | 305861.71 |
| Additional capital expenditure | 3589.84 |
| Closing gross block | 309451.55 |
| Average gross block | 307656.63 |
| Rate of depreciation | 2.1606% |
| Depreciable value @ 90% | 276890.97 |
| Remaining depreciable value | 251915.05 |
| Depreciation | 6647.33 |

Advance Against Depreciation

46. Advance Against Depreciation as considered in order dated 20.10.2009 in Petition No. 33/2009, after considering the additional capital expenditure. The Advance Against Depreciation has been worked as stated overleaf:

| (₹ in lakh) | |
|--|----------------|
| Advance against Depreciation | 2008-09 |
| 1/10th of Gross loan(s) | 19006.27 |
| Repayment of the loan | 15007.89 |
| Minimum of the above | 15007.89 |
| Depreciation during the year | 6647.33 |
| (A) Difference | 8360.56 |
| Cumulative Repayment of the loan | 39983.80 |
| Cumulative Depreciation/ Advance against Depreciation | 31623.25 |
| (B) Difference | 8360.56 |
| Advance against Depreciation Minimum of (A) and (B) | 8360.56 |

O&M Expenses

47. The Commission in order dated 6.2.2007 in Petition No.119/2005 allowed O&M expenses for the period 2004-09, considering the capital cost of ₹294991.98 lakh (on power component) as on 25.8.2005. In the said order, the O&M expenses allowed for the year 2008-09 was ₹4900.81 lakh. This amount was allowed by the Commission while revising the tariff for the generating station for the period from 25.8.2005 to 31.3.2008 in Petition No.33/2009. Since these expenses are calculated on normative basis, O&M expenses for 2008-09 as considered in the order dated 20.10.2009 in Petition No.33/2009 has been considered.

Interest on Working Capital

48. For the purpose of calculation of working capital, the cost of maintenance spares and O&M expenses as considered in the Commission's order dated 20.10.2009 have been kept unchanged. The "receivables" component of the working capital has been revised for the reason of revision of return on equity, interest on loan, etc. The necessary details in support of calculation of interest on working capital are as stated overleaf:

| (₹ in lakh) | |
|------------------------------------|----------------|
| Interest on Working Capital | 2008-09 |
| Maintenance Spares | 3433.85 |
| O & M expenses | 408.40 |
| Receivables | 8335.74 |
| Total | 12177.99 |
| Interest @ 10.25% | 1248.24 |

Annual Fixed charges

49. The revised annual fixed charges for the year 2008-09 is summarized as under:

| (₹ in lakh) | |
|------------------------------|-----------------|
| Particulars | 2008-09 |
| Depreciation | 6647.33 |
| Interest on Loan | 12570.23 |
| Return on Equity | 16287.25 |
| Advance Against Depreciation | 8360.56 |
| Interest on Working Capital | 1248.24 |
| O & M Expenses | 4900.81 |
| TOTAL | 50014.42 |

50. In addition to the above, the petitioner shall be entitled for reimbursement of charges like income tax, cess levied by statutory authority, other taxes etc directly from the beneficiaries.

51. The reimbursement of the filing fee is not being allowed in view of the Commission's general order dated 11.9.2008 in Petition No.129/2005 wherein it was directed that filing fee during the period 2004-09 would not be reimbursed as the

same has been factored in the normalized O&M expenses under the 2004 regulations.

52. The petitioner shall claim the difference between the fixed charges approved vide order dated 20.10.2009 and those approved now, from the beneficiaries in three equal monthly installments.

53. Petition No.207/2010 is disposed of in terms of the above.

Sd/-
[M.DEENA DAYALAN]
MEMBER

Sd/-
[V.S.VERMA]
MEMBER

Sd/-
[S. JAYARAMAN]
MEMBER

Sd/-
[DR.PRAMOD DEO]
CHAIRPERSON



| | | | | | Annexure |
|---|---------------------------------|--------------------------------|------------------|-------------|-------------------------------|
| Weighted average Rate of Interest on Loans for 2008-09 | | | | | |
| Name of Bank | Date of drawl of Loan / opening | Date of Payment/ dt. Cal. Pur. | Amt. of TL drawn | No. of Days | Product of Loan & No. of days |
| Bank of Baroda | 01-Jan-09 | 13-Feb-09 | 72000000 | 43 | 3096000000 |
| Bank of Baroda | 01-Jan-09 | 13-Feb-09 | 72000000 | 43 | 3096000000 |
| Bank of Baroda | 01-Jan-09 | 13-Feb-09 | 94100000 | 43 | 4046300000 |
| Bank of Baroda | 01-Jan-09 | 13-Feb-09 | 169200000 | 43 | 7275600000 |
| Dena Bank | 01-Jan-09 | 13-Feb-09 | 180000000 | 43 | 7740000000 |
| Dena Bank | 01-Jan-09 | 13-Feb-09 | 90000000 | 43 | 3870000000 |
| J & K Bank | 01-Jan-09 | 13-Feb-09 | 23366666 | 43 | 1004766638 |
| Union Bank of India | 01-Jan-09 | 13-Feb-09 | 121500000 | 43 | 5224500000 |
| Vijaya Bank | 01-Jan-09 | 13-Feb-09 | 135000000 | 43 | 5805000000 |
| Vijaya Bank | 01-Jan-09 | 13-Feb-09 | 153000000 | 43 | 6579000000 |
| Indian Overseas Bank | 13-Jan-09 | 13-Feb-09 | 135000000 | 31 | 4185000000 |
| Indian Overseas Bank | 13-Jan-09 | 13-Feb-09 | 271700000 | 31 | 8422700000 |
| J&K Bank | 13-Jan-09 | 13-Feb-09 | 111633334 | 31 | 3460633354 |
| J&K Bank | 13-Jan-09 | 13-Feb-09 | 225000000 | 31 | 6975000000 |
| Union Bank of India | 13-Jan-09 | 13-Feb-09 | 90000000 | 31 | 2790000000 |
| Allahabad Bank | 12-Feb-09 | 31-Mar-09 | 1842300000 | 48 | 88430400000 |
| Central Bank of India | 01-Jan-09 | 31-Mar-09 | 480000000 | 90 | 43200000000 |
| Dena Bank | 11-Mar-09 | 31-Mar-09 | 833333334 | 21 | 17500000014 |
| J&K Bank | 13-Feb-09 | 31-Mar-09 | 101200000 | 47 | 4756400000 |
| Oriental Bank of Commerce | 13-Feb-09 | 31-Mar-09 | 5000000000 | 47 | 235000000000 |
| Syndicate Bank | 01-Jan-09 | 31-Mar-09 | 76500000 | 90 | 6885000000 |
| United Bank of India | 18-Mar-09 | 31-Mar-09 | 833333334 | 14 | 11666666676 |
| Oriental Bank of Commerce | 01-Apr-08 | 30-Dec-08 | 1833333333 | 274 | 502333333242 |
| J & K Bank | 01-Apr-08 | 30-Dec-08 | 916666667 | 274 | 251166666758 |
| Andhra Bank | 01-Apr-08 | 30-Dec-08 | 916666667 | 274 | 251166666758 |
| Canara Bank | 01-Apr-08 | 30-Dec-08 | 1375000000 | 274 | 376750000000 |
| Bank of India | 01-Apr-08 | 30-Dec-08 | 3208333333 | 274 | 879083333242 |
| Dena Bank | 01-Apr-08 | 30-Dec-08 | 916666667 | 274 | 251166666758 |
| United Bank of India | 01-Apr-08 | 30-Dec-08 | 916666667 | 274 | 251166666758 |
| Punjab & Sind Bank | 01-Apr-08 | 30-Dec-08 | 458333333 | 274 | 125583333242 |
| SIDBI | 01-Apr-08 | 30-Dec-08 | 916666667 | 274 | 251166666758 |
| Union Bank of India(DELHI) | 01-Apr-08 | 30-Dec-08 | 916666667 | 274 | 251166666758 |
| Punjab National Bank | 01-Apr-08 | 30-Dec-08 | 2520833333 | 274 | 690708333242 |
| Indian Overseas Bank | 01-Apr-08 | 30-Dec-08 | 458333333 | 274 | 125583333242 |
| Bank of Baroda | 01-Apr-08 | 30-Dec-08 | 137500000 | 274 | 376750000000 |
| Oriental Bank of Commerce | 31-Dec-08 | 01-Jan-09 | 1666666666 | 1 | 1666666666 |
| J & K Bank | 31-Dec-08 | 13-Jan-09 | 833333334 | 13 | 10833333342 |
| Andhra Bank | 31-Dec-08 | 13-Feb-09 | 833333334 | 44 | 36666666696 |
| Canara Bank | 31-Dec-08 | 12-Feb-09 | 1250000000 | 43 | 53750000000 |
| Bank of India | 31-Dec-08 | 13-Feb-09 | 2916666666 | 44 | 128333333304 |
| Dena Bank | 31-Dec-08 | 11-Mar-09 | 833333334 | 70 | 58333333380 |
| United Bank of India | 31-Dec-08 | 18-Mar-09 | 833333334 | 77 | 64166666718 |
| Punjab & Sind Bank | 31-Dec-08 | 31-Mar-09 | 416666666 | 91 | 37916666639 |
| SIDBI | 31-Dec-08 | 31-Mar-09 | 833333334 | 91 | 75833333361 |
| Union Bank of India(DELHI) | 31-Dec-08 | 31-Mar-09 | 833333334 | 91 | 75833333361 |
| Punjab National Bank | 31-Dec-08 | 31-Mar-09 | 2291666666 | 91 | 208541666639 |



| | | | | | |
|--|-----------|----------------|-----------|----|---------------|
| Indian Overseas Bank | 31-Dec-08 | 31-Mar-09 | 416666666 | 91 | 37916666639 |
| Bank of Baroda | 31-Dec-08 | 31-Mar-09 | 125000000 | 91 | 11375000000 |
| | | | | | 5526892300185 |
| | | Average Loan | | | 15142170685 |
| | | Total Interest | | | 1198321741 |
| Weighted average Rate of Interest on Loans | | | | | 7.9138 |

