

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Petition No. 185/2009

Coram

- 1. Dr. Pramod Deo, Chairperson**
- 2. Shri S. Jayaraman, Member**
- 3. Shri V.S.Verma, Member**

DATE OF HEARING: 16.2.2010

DATE OF ORDER: 10.2.2011

IN THE MATTER OF

Approval of revised fixed charges for the period 2004-09 on account of additional capital expenditure incurred during 15.7.2007 to 31.3.2009 for Vindhyachal STPS, Stage-III (1000 MW)

AND IN THE MATTER OF

NTPC Ltd, New Delhi

.....**Petitioner**

Vs

1. Madhya Pradesh Power Trading Ltd, Jabalpur
2. Maharashtra State Electricity Distribution Company Ltd, Mumbai
3. Gujarat Urja Vikas Nigam Limited, Vadodara
4. Chhattisgarh State Power Distribution Company Ltd, Raipur.
5. Electricity Department, Govt. of Goa, Panaji, Goa
6. Electricity Deptt, Administration of Daman & Diu, Daman
7. Electricity Deptt, Administration of Dadra and Nagar Haveli, Silvassa

.....**Respondents**

The following were present

1. Shri V.K.Padha, NTPC
2. Shri D.G.Salpekar, NTPC
3. Shri S.Saran, NTPC
4. Shri Manoj Saxena, NTPC
5. Shri A.S.Pandey, NTPC

ORDER

The petitioner has made this application for approval of the revised fixed charges due to capital expenditure incurred during the period from 15.7.2007 to 31.3.2009 for Vindhyachal STPS, Stage-III (1000 MW), (hereinafter referred to as “the generating station”) based on the Central Electricity Regulatory Commission (Terms



and Conditions of Tariff) Regulations, 2004 (hereinafter referred to as “the 2004 regulations”). The petitioner has made the following specific prayers:

- (i) Allow inclusion of un-discharged liabilities and reduced IDC as per Para 6 and 9 above and approve the revision of fixed charges from COD of respective units as per details given in Appendix – A.
- (ii) Approve the revision of fixed charges due to additional capital expenditure as per details given Appendix - A for the period 15.7.2007 to 31.3.2009.
- (iii) Allow recovery of income tax as detailed in para 13 above.
- (iv) To allow recovery of filling fees from the respondents.
- (v) Pass any other order in this regard as the Hon’ble Commission may find appropriate in the circumstances pleaded above.

2. The generating station with a capacity of 1000 MW comprises of two units of 500 MW each. The date of commercial operation of the Unit-I is 1.12.2006 and that of Unit-II is 15.7.2007. The tariff of the generating station for the period 1.12.2006 to 31.3.2009 was approved by the Commission vide its order dated 31.7.2008 in Petition No.155/2007 based on capital cost of ₹166846.66 lakh as on 1.12.2006, and ₹314297.20 lakh as on 15.7.2007, after deduction of the amount of undischarged liabilities and reduction in Interest During Construction (IDC) on adoption of average repayment methodology by the Commission, as under:

Particulars	₹ in lakh)		
	1.12.2006	1.4.2007	15.7.2007
Un-discharged liabilities disallowed	19358.70	10413.04	23489.82
Reduction in IDC due to average method of repayment	275.72	301.53	294.87

3. The annual fixed charges allowed by the Commission by order dated 31.7.2008 is as under:

Particulars	₹ in lakh)			
	2006-07 (1.12.2006 to 31.3.2007)	2007-08 (1.4.2007 to 14.7.2007)	2007-08 (15.7.2007 to 31.3.2008)	2008-09 (1.4.2008 to 31.3.2009)
Interest on Loan	8850	9510	16556	15499
Interest on Working Capital	1630	1673	3863	3960
Depreciation	6082	6480	11398	11398
Advance Against Depreciation	0.00	0.00	1087	5685
Return on Equity	7008	7466	13200	13200
O & M Expenses	5060	5260	10520	10950
TOTAL	28630	30390	56624	60693



4. Reply to the petition has been filed by the respondent No.1, MPPTCL.
5. Against the order of the Commission dated 31.7.2008, the petitioner filed Appeal No.148/2008 before the Appellate Tribunal for Electricity ('the Tribunal') raising the following issues:
 - (a) Disallowance of un-discharged liabilities;
 - (b) Reduction of IDC;
 - (c) Treatment of depreciation as deemed repayment of loan.
6. Appeals were also filed by the petitioner before the Tribunal (Appeal Nos.133, 135 and 136/2008) challenging the various orders of the Commission deducting un-discharged liabilities in respect of other generating stations of the petitioner. These appeals were clubbed with Appeal No.148/2008 and the Tribunal by its judgment dated 16.3.2009 allowed the prayers (a) and (b) above in the light of its earlier judgment dated 10.12.2007 in Appeal No.151 and 152/2007 and directed the Commission to implement the same. As regards the prayer at (c) above, the Tribunal in line with its earlier judgment dated 13.6.2007 in Appeal Nos.139 to 142/2006 and 10, 11, and 23/2007 observed that the methodology adopted by the Commission was incorrect. Accordingly, the directions contained in judgment dated 16.3.2009 were directed to be implemented by the Commission.
7. The petitioner, in this petition has also prayed for consideration of additional capital expenditure for computation of maintenance spares for working capital, in terms of the judgment of the Tribunal dated 13.6.2007 in Appeal Nos.139 to 142/2006 and 10, 11, and 23/2007.



8. It is pertinent to mention that against the judgment of the Tribunal dated 13.6.2007, the Commission has filed Civil Appeals (C.A.Nos.5434/2007 to 5452/2007 and 5622/2007) before the Hon'ble Supreme Court on five issues and the same is pending. However, the Hon'ble Court by its interim order dated 10.12.2007 has observed as under:

“Learned Solicitor General appearing on behalf of the National Thermal Power Corporation stated that pursuant to the remand order, following five issues shall not be pressed for fresh determination:

- (a) Consequences of refinancing of loan;*
- (b) Treating of depreciation as deemed repayment of loan;*
- (c) Cost of maintenance spares related to additional capitalization;*
- (d) Depreciation availability up to 90% in the event of disincentive; and*
- (e) Impact of de-capitalization of assets on cumulative repayment of loan*

The Commission may, however, proceed to determine other issues.

It is clarified that this order shall apply to other cases also.

In view of this, the interim order passed by the Court on 26th November, 2007, is vacated. The interlocutory applications are, accordingly, disposed of.”

9. Against the judgments dated 10.12.2007 and 16.3.2009 of the Tribunal in Appeal Nos 151 and 152/2007 and Appeal Nos 133, 135, 136 and 148/2009, the Commission has also filed Civil Appeals [C.A. Nos.4112-4113/2009 and C.A. Nos.6286 to 6289/2009] before the Hon'ble Supreme Court. These Civil Appeals are pending and there is no stay of the operation of the judgments of the Tribunal.

10. The respondent No. 1, MPPTCL in its reply has submitted that the claim of the petitioner for capitalization of liabilities amounting to ₹23489.82 lakh on the strength of the judgment dated 16.3.2009 of the Tribunal is not legally tenable.

11. Keeping in view that the distinction between the main tariff petition and the petition for additional capitalization could not be made since tariff for 2004-09 was a composite package which needs to be determined on the same principle, the Commission in some of the tariff orders dated 21.1.2011 in petitions relating to



revision of tariff for the generating stations of the petitioner for 2004-09 based on additional capital expenditure has considered the issues covered by interim order of the Hon'ble Supreme Court dated 10.12.2007, subject to final outcome of the said Civil Appeal Nos.5434/2007 to 5452/2007 and 5622/2007 before the Hon'ble Supreme Court.

12. In line with our decision in the tariff orders dated 21.1.2011 as stated above and in compliance with the directions of the Tribunal in judgment dated 16.3.2009 in Appeal No.148/2009, it has been decided to revise the tariff for the generating station by this order after considering the issues raised in the petition, subject to the final outcome of the said Civil Appeals pending before the Hon'ble Supreme Court.

Un-discharged liabilities and IDC

13. Accordingly, the un-discharged liabilities disallowed vide order dated 31.7.2008 in Petition No.155/2007 has been allowed for the purpose of tariff. As regards IDC, the Tribunal in its judgment dated 16.3.2009 has agreed with the decision of the Commission to consider the average repayment method, (instead of FIFO method) of repayment and has directed to consider deployment of internal resources used over and above equity as deemed loan and IDC be allowed on notional basis. The petitioner in its claim for notional IDC has claimed the amount deducted by the Commission. Considering repayment on average method on deployment of internal resources/equity, the level of equity is 30% in all quarters of the financial year, in terms of the 2004 regulations except in the quarter ending on 31.12.2004, 31.3.2005 and 31.3.2007, wherein the equity falls marginally less than 30%. As such, IDC disallowed vide order dated 31.7.2008 in Petition No.155/2007 amounting to ₹275.72 lakh on 1.12.2006, ₹301.53 lakh on 1.4.2007 and ₹294.87 lakh on 15.7.2007 has been allowed as notional IDC.



14. Further, the cumulative repayment of loan has been adjusted on account of de-capitalization, proportionate to 70% of the de-capitalized value of asset in line with observations of the Tribunal.

15. On scrutiny of the financial statements submitted by the petitioner for the years 2007-08 and 2008-09, it was observed that the value of gross block as on 31.3.2008 as per balance sheet as on 31.3.2008 did not match with the value of gross block as on 1.4.2008, as per balance sheet as on 31.3.2009. In response to the direction of the Commission, the petitioner vide its affidavit dated 20.11.2009 has clarified as under:

“The mismatch in gross block figure as per audited accounts as on 31.3.2008 as per previous year figure in the audited accounts as on 31.3.2009 is due to adjustment entry of Rs.127 lakhs in books of Corporate Centre as on 31.3.2008. This adjustment is incorporated in the balance sheet of the project in the year 2008-09”

16. Also, the petitioner vide its affidavit dated 9.2.2010 has submitted as under:

“The adjustment of Rs.127 lakh does not pertain to corporate centre but relates to Vindhyachal STPS, Stage-III. The entry was carried out in unit balance sheet of corporate centre adjustment as the unit balance sheet of Vindhyachal STPS, Stage-III had been closed. This adjustment is on account of pre-commissioning expenses and was accordingly accounted in the financial year 2007-08.”

17. It is observed from the above that the petitioner was earning tariff on excess pre-commissioning expenses amounting to ₹127.06 lakh since the date of commercial operation of the generating station. As such, the said amount has been deducted from the capital cost allowed to the generating station as on the date of commercial operation i.e 15.7.2007.

18. We now proceed to examine the claim of the petitioner for additional capital expenditure for the years 2007-08 and 2008-09 in the subsequent paragraphs.

Additional Capitalization

19. Regulation 18 of the 2004 regulations provides as stated below:



“18. (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 work, subject to ceiling specified in regulation 17;*
- (iv) Liabilities to meet award of arbitration or for compliance of the order or decree of a court; and*
- (v) On account of change in law.*

Provided that original scope of work 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 the generating station.

(2) Subject to the provisions of clause (3) of this regulation, the capital expenditure of the following nature actually incurred after cutoff 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 for compliance of the order or decree of a court;*
- (iii) On account of change in law;*
- (iv) Any additional works/services which have become necessary for efficient and successful operation of the generating station, but not included in the original project cost; and*
- (v) Deferred works relating to ash pond or ash handling system in the original scope of work.*

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

(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 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 20.

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 project 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 20.



Note 4

Any expenditure admitted by the Commission for determination of tariff on renovation and modernization and life extension shall be serviced on normative debt-equity ratio specified in regulation 20 after writing off the original amount of the replaced assets from the original capital cost.”

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

Particulars	(₹ in lakh)	
	2007-08 (15.7.2007 to 31.3.2008)	2008-09
Total additional expenditure of the generating station as per books of accounts (A)	7342.24	17784.92
Exclusions for additional capitalization vis-à-vis books of accounts (B)	(-) 2.25	5381.97
Total additional capitalization (A-B)	7344.49	12402.95

21. The summary of exclusions from the books of accounts claimed is as under:

Description	(₹ in lakh)	
	2007-08 (15.7.2007 to 31.3.2008)	2008-09
MBOA items (de-capitalized in the books)	(-) 1.86	0.00
Unserviceable assets de-capitalized in the books	0.00	(-) 306.73
Capital Spares de-capitalized in the books	0.00	(-) 117.95
Inter Unit transfer of assets	(-) 0.38	109.09
FERV Capitalized in the books	0.00	5697.56
Total Exclusions	(-) 2.25	5381.97

Exclusions

22. In the first instance, we consider the exclusions under different heads in the claim.

(a) **De-capitalization of Miscellaneous brought out items (MBOA):** The petitioner has de-capitalized MBOA amounting to ₹1.86 lakh in the books of accounts during the year 2007-08 on the assets becoming unserviceable. However, the petitioner has prayed that negative entries arising out of de-capitalization of MBOA may be excluded for the purpose of tariff. The ground on which the exclusion is sought by the petitioner is as under:

“These assets were in use during construction period. The life of such assets is 2-3 years. Therefore as per accounting practice they were de-capitalized from books after being



rendered as unserviceable. The Hon'ble Commission does not allow the replacement of these assets after cut-off date, hence the de-capitalization of such assets be considered as exclusion and as such the capital cost need not be reduced as these assets need to be serviced over the life of the plant.”

The assets on becoming unserviceable cannot be permitted to remain in the capital base of the generating station as they do not render useful service. As such, the prayer of the petitioner for exclusion of de-capitalized MBOA is not justified. Hence, the exclusion of negative entries arising due to de-capitalization of unserviceable MBOA has not been allowed for the purpose of tariff.

(b) Unserviceable assets de-capitalized in books: The petitioner by negative entry has sought exclusion of ₹306.73 lakh during 2008-09 on account of de-capitalization of unserviceable components/equipment like wagons, ICT & shunt reactor and condemned items. The justification provided by the petitioner is as under:

“These assets were procured alongwith original main plant package. However, due to damage the same has been discarded & de-capitalised. The petitioner shall be purchasing replacement of the same in the coming years. Since the same would not be allowed after cut-off date for capitalization, Hon'ble Commission may allow the exclusion of negative capitalization from the books of accounts and as such not reduce the capital base.”

The petitioner's prayer for exclusion of negative entries arising due to de-capitalization of unserviceable assets on the ground that corresponding new assets would be purchased in future, is not allowed as these assets do not render useful service.

(c) De-capitalization of spares: The petitioner has de-capitalized capital spares in books amounting to (-)₹117.95 lakh. The petitioner vide its affidavit dated 20.11.2009 has submitted as under:

“The capital spares were procured from OEM as per recommendations of the OEM. On inspection at stores, it was found that some of them are in damaged condition and cannot be used. These damages were primarily because of improper handling during the transit. The suppliers have agreed to replace such items in future. The capital spares will be replaced and capitalized, as and when purchased, in the books of accounts accordingly. The Hon'ble Commission may be pleased to allow this item under exclusions. In case, the



same are de-capitalized now from the capital base, it may please be provided in the order that the same would re-capitalized as and when purchased.”

In view of the fact that these spares form part of capital cost for the purpose of tariff and have been de-capitalized from books of accounts, being found defective, its de-capitalization is not allowed to be excluded, as these assets do not render useful service. However, the petitioner is at liberty to approach the Commission in future, for capitalization of spares as and when purchased, which would be considered in accordance with law.

(d) **Inter-unit transfers:** The petitioner has excluded an amount of ₹108.71 lakh for the period 2007-09, under this head on account of transfer of office equipments (to and from) and LOCO model to other generating stations of the petitioner. The Commission while dealing with applications for additional capitalization in respect of other generating stations of the petitioner has decided that both positive and negative entries arising out of inter-unit transfers of temporary nature shall be ignored for the purposes of tariff. In consideration of the above decision, the exclusion of the amount of ₹108.71 lakh on account of inter-unit transfer of equipment is allowed.

(e) **FERV:** The claim for exclusion of an amount of ₹5697.56 lakh for the period 2008-09 on account of FERV is allowed. The petitioner may recover the amount of FERV directly from the respondents in terms of the 2004 tariff regulations.

23. Summing up, the following amounts have been allowed as exclusion for the purpose of tariff.

(₹ in lakh)

Description	2007-08 (15.7.2007 to 31.3.2008)	2008-09
MBOA items (de-capitalized in the books)	0.00	0.00
Assets discarded and de-capitalized in the books	0.00	0.00
Capital Spares discarded and de-capitalized in the books	0.00	0.00
Inter Unit transfer of assets	(-) 0.38	109.09
FERV Capitalized in the books	0.00	5697.56
Total Exclusions	(-) 0.38	5806.65

24. The year-wise and category-wise break-up of the additional expenditure claimed is as stated overleaf:

(₹ in lakh)

Nature of capitalization	2007-08 (15.7.2007 to 31.3.2008)	2008-09
Works deferred for execution-Regulation [18(1)(ii)]	6664.68	6511.35
Procurement of initial capital spares in the original scope of work, subject to ceiling specified in regulation 17-Regulation [18(1) (iii)]	679.81	5891.60
Total	7344.49	12402.95

25. After applying prudence check on the asset-wise details and justification of additional capitalization claimed by the petitioner under various categories for the year 2007-09, the admissibility of additional capitalization is discussed in the succeeding paragraphs:

Work deferred for execution-Regulation [18(1)(ii)]

26. The petitioner has submitted a list of deferred works for execution amounting to ₹17075.04 lakh in Petition No.155/2007, pertaining to determination of tariff petition for the period 1.12.2006 to 31.3.2009. The petitioner has submitted that out of this, works amounting to ₹13176.03 lakh, for the period 2007-09, claimed under this head, were within the original approved project cost. Accordingly, in terms of the proviso to Clause (1) of Regulation 18 of the 2004 regulations, the petitioner's claim under this head is allowed.



Procurement of initial capital spares in the original scope of work, subject to ceiling specified in regulation 17 –Regulation [18(1) (iii)]

27. The petitioner has claimed an expenditure of ₹6571.41 lakh for procurement of capital spares during the period 2007-09, under this head. The capital spares allowed vide order dated 31.7.2008 was ₹1688.51 lakh. After taking in to account the capital cost approved vide order dated 31.7.2008, the adjustments to the capital cost on account of adjustment for excess pre-commissioning expenses as on the date of commercial operation of the generating station and the additional IDC allowed in terms of the directions of Tribunal, the additional capital expenditure allowed for the period 2007-09, the maximum permissible spares allowed to be capitalized up to cut-off date (i.e. 31.3.2009) works out to ₹8952.15 lakh. However, out of the initial spares allowed vide order dated 31.7.2008, the petitioner has de-capitalized spares amounting to ₹117.95 lakh which were found defective. As such, after adjustment of these de-capitalized spares amounting to ₹117.95 lakh, the value of initial spares capitalized upto 31.3.2009 (inclusive of capitalization of capital spares amounting to ₹6571.42 lakh claimed for the period 2007-09) works out to ₹8141.97 lakh, which is within the permissible limit of ₹8952.15 lakh upto the cut-off date. As such, the petitioner's claim under this head is allowed.

28. Based on the above, the additional capital expenditure allowed for the period 2007-09, for the purpose of tariff is as under:

Nature of capitalization	₹ in lakh	
	15.7.2007 to 31.3.2008	2008-09
Works deferred for execution [18(1)(ii)]	6664.68	6511.35
Procurement of initial capital spares in the original scope of work, subject to ceiling specified in regulation 17 [18(1) (iii)]	679.81	5891.60
Total (before adjustment of exclusions not allowed)	7344.49	12402.95
Add: Exclusions not allowed	(-) 1.86	(-) 424.68
Net additional capital expenditure allowed	7342.63	11978.27



Capital cost

29. Taking into account the capital cost of the generating station as on 15.7.2007, the additional capital expenditure approved above for the year 2007-09, the capital cost for the period 2007-09 works out as under:

Year	(₹ in lakh)			
	1.12.2006 to 31.3.2007	1.4.2007 to 14.7.2007	15.7.2007 to 31.3.2008	2008-09
Opening Capital cost considered vide order dated 31.7.2008	166846.66	177773.60	314297.20	-
Add: Undischarged liabilities disallowed vide order dated 31.7.2008	19358.70	10413.05	23489.83	-
Add: Notional IDC	275.72	301.53	294.87	-
Less: Adjustment on account of pre-commissioning expenses effected in books after date of commercial operation	-	-	127.06	-
Opening Capital Cost (revised)	186481.08	188488.18	337954.84	345297.46
Additional capital expenditure approved	-	-	7342.63	11978.27
Closing Capital cost	186481.08	188488.18	345297.46	357275.73

Debt-Equity ratio

30. Regulation 20 of the 2004 Regulations provides that:

“(1) In case of the existing project, 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 31.03.2004 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 18, equity in the additional capitalization to be considered shall be:-,

- (a) 30% of the additional capital expenditure admitted by the Commission; or*
- (b) Equity approved by the competent authority in the financial package, for additional capitalization; or*
- (c) 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.

31. The petitioner has submitted that the additional capital expenditure incurred during the years 2007-08 and 2008-09 has been financed partly out of loan and partly out of equity. The debt component comprises of loan drawn from SBI-IV amounting to ₹10700 lakh and ₹2500 lakh during the years 2007-08 and 2008-09, and Bonds-XXVIII amounting to ₹2000 lakh during 2008-09. The petitioner has considered the debt-equity ratio of 70:30 for additional capitalization in terms of sub-clause (a) of clause (1) of Regulation 20 of the 2004 regulations, which is allowed. Accordingly, additional notional equity of the generating station on account of capitalization approved, works out as stated overleaf:

	<i>(₹ in lakh)</i>	
	15.7.2007 to 31.3.2008	2008-09
Additional Notional Equity	2202.79	3593.48

Return on Equity

32. The return on equity allowed @ 14% on the average normative equity, is as under:

	<i>(₹ in lakh)</i>			
	1.12.2006 to 31.3.2007	2007-08 (1.4.2007 to 14.7.2007)	2007-08 (15.7.2007 to 31.3.2008)	2008-09
Equity-Opening considered vide order dt.31.7.2008	55944.32	56546.45	101386.45	103589.24
Addition of Equity due to additional capital expenditure	0.00	0.00	2202.79	3593.48
Equity-Closing	55944.32	56546.45	103589.24	107182.72
Average equity	55944.32	56546.45	102487.84	105385.98
Return on Equity @ 14% (annualised)	7832.21	7916.50	14348.30	14754.04

Interest on loan

33. Interest on loan has been worked out as mentioned below:

- (a) Due to revision in the opening capital cost and the admitted additional capital expenditure, the gross opening loan (on normative basis) as considered in the order dated 31.7.2008 has been revised to ₹130536.76



lakh as on 1.12.2006, ₹131941.73 lakh as on 1.4.2007, ₹236568.39 lakh as on 15.7.2007 and ₹241708.22 lakh as on 1.4.2008.

- (b) The cumulative repayment of loan (on normative basis) as considered in order dated 31.7.2008 is ₹1417.69 lakh as on 1.4.2007, ₹1477.05 lakh as on 15.07.2007 and ₹11127.05 lakh as on 1.4.2008.
- (c) The net opening normative loan is revised to ₹130536.76 lakh as on 1.12.2006, ₹130524.04 lakh as on 1.4.2007, and ₹235091.33 lakh as on 15.7.2007 and ₹230581.18 lakh as on 1.4.2008.
- (d) There is addition of notional loan to the tune ₹5139.84 lakh for the period from 15.7.2007 to 31.3.2008 and ₹8384.79 lakh for the period from 1.4.2008 to 31.3.2009 on account of the admitted additional capital expenditure for the years 2007-08 and 2008-09.
- (e) Weighted average rate of interest on loan has been worked out after accounting for the rate of interest as considered in order dated 31.7.2008 along with addition of loan amounting to ₹10700 lakh (drawn out of SBI-IV) during the period 2007-08 and ₹4500 lakh (₹2500 lakh drawn out of SBI-IV and ₹2000 lakh drawn out of Bonds-XXVIII) during the period 2008-09. Further, in order dated 31.7.2008, repayment in respect of LIC-III (T1, D1) was calculated considering 20 half yearly installments with effect from 31.12.2007. However, based on the revised amortization schedule the same has been rectified and has calculated over 30 half yearly installments with effect from 31.12.2008.
- (f) The normative repayment applicable during the period/year is worked out on the formula as under:

$$\text{Normative repayment} = \frac{\text{Actual Repayment} \times \text{Normative Loan}}{\text{Actual Loan}}$$

- (g) As stated above, cumulative repayment has been adjusted on account of de-capitalization proportionate to 70% of the value of de-capitalized assets.

34. Interest on loan has been computed as under:

	(₹ in lakh)			
	2006-07 (1.12.2006 to 31.3.2007)	2007-08 (1.4.2007 to 14.7.2007)	2007-08 (15.7.2007 to 31.3.2008)	2008-09
Gross Opening loan	130536.76	131941.73	236568.39	241708.22
Cumulative Repayment of loan upto previous year	0.00	1417.69	1477.05	10697.60
Net loan Opening	130536.76	130524.04	235091.33	231010.63
Addition of loan due to additional capital expenditure approved	0.00	0.00	5139.84	8384.79
Repayment of loan during the	1417.69	59.37	9221.85	17528.94



year (normal)				
Less: Repayment adjustment on account of de-cap			1.31	297.28
Net Repayment of loan	1417.69	59.37	9220.54	17231.66
Net Loan Closing	129119.07	130464.67	231010.63	222163.75
Average Loan	129827.91	130494.36	233050.98	226587.19
Weighted Average Rate of Interest on Loan	7.6437%	7.8280%	7.8754%	7.9476%
Interest on Loan (annualised)	9923.67	10215.08	18353.69	18008.30

Depreciation

35. The weighted average rate of depreciation of 3.6454% (for the period from 1.12.2006 to 14.7.2007) and 3.6266% (for the period from 15.7.2007) as considered in order dated 31.7.2008 has been considered to arrive at the revised depreciation amount allowed for the tariff period 2004-09. The necessary calculations are as stated overleaf:

	(₹ in lakh)			
	2006-07 (1.12.2006 to 31.3.2007)	2007-08 (1.4.2007 to 14.7.2007)	2007-08 (15.7.2007 to 31.3.2008)	2008-09
Opening capital cost	186481.08	188488.18	337954.84	345297.46
Closing capital cost	186481.08	188488.18	345297.46	357275.73
Average capital cost	186481.08	188488.18	341626.15	351286.60
Depreciable value @ 90%	167832.97	169639.36	307463.53	316157.94
Balance depreciable value	167832.97	167373.40	303226.36	303085.65
Depreciation	2265.97	1971.21	8835.16	12739.88
Depreciation (annualised)	6797.90	6871.06	12389.53	12739.88

Advance Against Depreciation

36. The petitioner's entitlement to Advance Against Depreciation is as under:

	(₹ in lakh)			
	2006-07 (1.12.2006 to 31.3.2007)	2007-08 (1.4.2007 to 14.7.2007)	2007-08 (15.7.2007 to 31.3.2008)	2008-09
1/10th of Gross Loan(s)	13053.68	13194.17	23656.84	24170.82
Repayment of the Loan	1417.69	59.37	9220.54	17231.66
Minimum of the above	1417.69	59.37	9220.54	17231.66
Depreciation during the year	2265.97	1971.21	8835.16	12739.88
(A) Difference	0.00	0.00	385.39	4491.79
Cumulative Repayment of the Loan	1417.69	1477.05	10697.60	27929.26
Cumulative Depreciation / AAD	2265.97	4237.17	13072.29	25789.42
(B) Difference	0.00	0.00	0.00	2139.84
Advance Against	0.00	0.00	0.00	2139.84



Depreciation [Minimum of (A) and (B)]				
Advance Against Depreciation (annualised)	0.00	0.00	0.00	2139.84

O&M expenses

37. The O&M expenses as considered in order dated 31.7.2008 has been considered for revision of tariff.

Interest on Working capital

38. For the purpose of calculation of working capital, the operating parameters including the price of fuel components as considered in the order dated 31.7.2008 have been kept unchanged. The maintenance spares have been revised on account of changes in the opening capital cost and on account of maintenance spares corresponding to additional capital expenditure allowed for the purpose of tariff. 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 under:

Particulars	(₹ in lakh)			
	2006-07 (1.12.2006 to 31.3.2007)	2007-08 (1.4.2007 to 14.7.2007)	2007-08 (15.7.2007 to 31.3.2008)	2008-09
Coal Stock-1.1/2 months	3648.90	3648.90	7270.14	7250.27
Oil stock -2 months	268.17	268.17	564.09	562.55
O & M expenses	421.67	438.33	876.67	912.50
Spares	1857.67	1877.74	3436.09	3701.79
Receivables	10351.70	10462.36	20186.33	20670.67
Total Working Capital	16548.11	16695.51	32333.31	33097.79
Rate of Interest	10.2500%	10.2500%	12.2500%	12.2500%
Total Interest on Working capital	1696.18	1711.29	3960.83	4054.48

39. The revised annual fixed charges for the period from 1.4.2004 to 31.3.2009 are summarized as under:

Particulars	(₹ in lakh)			
	2006-07 (1.12.2006 to 31.3.2007)	2007-08 (1.4.2007 to 14.7.2007)	2007-08 (15.7.2007 to 31.3.2008)	2008-09
Interest on loan	9923.67	10215.08	18353.69	18008.30
Interest on Working Capital	1696.18	1711.29	3960.83	4054.48
Depreciation	6797.90	6871.06	12389.53	12739.88
Advance Against Depreciation	0.00	0.00	0.00	2139.84
Return on Equity	7832.21	7916.50	14348.30	14754.04
O & M Expenses	5060.00	5260.00	10520.00	10950.00
Total (annualized)	31309.96	31973.93	59572.35	62646.54

40. The target availability of 80% considered by the Commission in the order dated 31.7.2008 remains unchanged. Similarly other parameters viz. specific fuel consumption Auxiliary Power consumption and Station Heat rate etc considered in the order dated 31.7.2008 have been retained for the purpose of calculation of the revised fixed charges.

41. The reimbursement of the filing fee has not been 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.

42. In addition to the charges approved above, the petitioner is entitled to recover other charges like incentive, claim for reimbursement of Income-tax, other taxes, cess levied by statutory authority, in accordance with the 2004 regulations, as applicable.

43. The petitioner shall claim the difference between the fixed charges approved vide order dated 31.7.2008 and those approved now, from the beneficiaries in three equal monthly installments.



44. The annual fixed charges determined in this order are subject to the outcome of Civil Appeal Nos. 4112-4113/2009 and Civil Appeal Nos. 6286 to 6289/2009 and other Civil Appeal Nos.5434/2007 to 5452/2007 and 5622/2007 pending before the Hon'ble Supreme Court.

45. Petition No.185/2009 stands disposed of in terms of the above.

Sd/-
(V.S.VERMA)
MEMBER

Sd/-
(S. JAYARAMAN)
MEMBER

Sd/-
(DR.PRAMOD DEO)
CHAIRPERSON

