

**CENTRAL ELECTRICITY REGULATORY COMMISSION  
NEW DELHI**

**Petition No.296/2009**

**Coram: Shri S.Jayaraman, Member  
Shri M.Deena Dayalan, Member**

**DATE OF HEARING: 28.10.2010**

**DATE OF ORDER: 10.5.2011**

**IN THE MATTER OF**

Fixation of tariff in respect of sale of power from Ranganadi Hydro Electric project (3 x 135 MW) of North Eastern Electric Power Corporation Limited, from 1.4.2009 to 31.3.2014.

**AND IN THE MATTER OF**

North Eastern Electric Power Corporation Ltd, Shillong  
Vs

**..... Petitioner**

1. Assam State Electricity Board, Guwahati
2. Meghalaya State Electricity Board, Shillong
3. Department of Power, Govt. of Tripura, Agartala
4. Power and Electricity Department, Govt. of Mizoram, Aizawl
5. Electricity Department, Govt. of Manipur, Imphal
6. Department of Power, Govt. of Arunachal Pradesh, Itanagar
7. Department of Power, Govt. of Nagaland, Kohima
8. North Eastern Regional Power Committee, Shillong
9. North Eastern Regional Load Despatch Centre, Shillong

**.... Respondents**

**The following were present:**

1. Shri P. K. Borah, NEEPCO
2. Shri Rana Bose, NEEPCO
3. Ms. Debjani Dey, NEEPCO
4. Shri A.C.Sarmoh, NEEPCO
5. Shri H.M.Sharma, ASEB
6. Shri R. Kapoor, ASEB
7. Shri K.Goswami, ASEB
8. Shri A.Kharpan, MeECL
9. Shri A.Gan Choudhury, TSECL
10. Shri A.Das, TSECL



## ORDER

This petition has been filed by the petitioner, NEEPCO Ltd, for fixation of tariff in respect of sale of power from Ranganadi Hydro Electric project (3 x 135 MW) (hereinafter referred to as “the generating station”) for the period from 1.4.2009 to 31.3.2014.

2. The tariff for the generating station for the period from 1.4.2004 to 31.3.2009 along with additional capitalization/de-capitalization during the years 2004-05 and 2005-06, based on the capital cost of ₹145545 lakh as on 31.3.2006, was determined by the Commission vide its order dated 30.4.2008 in Petition No.89/2007. Subsequently, the Commission by its order dated 17.5.2010 in Petition No. 211/2009 revised the tariff of the generating station for the period 2006-09 after considering the additional capital expenditure for the years 2006-07, 2007-08 and 2008-09. The annual fixed charges approved by the Commission by order dated 17.5.2010 is as under:

*(₹ in lakh)*

Particulars	2006-07	2007-08	2008-09
Depreciation	3477.84	3479.47	3482.72
Interest on Loan	3615.67	2838.85	2247.81
Return on Equity	10184.55	10187.41	10193.11
Advance Against Depreciation	3802.48	3803.19	1207.44
Interest on Working Capital	615.12	615.35	574.45
O & M Expenses	2461.00	2560.00	2662.00
<b>TOTAL</b>	<b>24156.67</b>	<b>23484.27</b>	<b>20367.53</b>

3. The annual fixed charges claimed by the petitioner for the period 2009-14 are as under:

*(₹ in lakh)*

Annual Fixed Charges	2009-10	2010-11	2011-12	2012-13	2013-14
Return on Equity	13600.87	13621.49	13649.81	13691.12	13732.16
Interest on Loan	1715.49	999.11	319.38	0.00	0.00
Depreciation	9052.01	9074.85	9106.23	9152.00	9197.46
Interest on Working Capital	856.65	862.57	870.74	888.19	913.57
O & M Expenses	6972.20	7371.01	7792.63	8238.37	8709.60
<b>Total</b>	<b>32197.22</b>	<b>31929.03</b>	<b>31738.79</b>	<b>31969.68</b>	<b>32552.79</b>



4. Reply to the petition has been filed by the respondent No.1, ASEB.
5. During the hearing on 28.10.2010, the respondent No.1, ASEB has submitted that revision of tariff of the generating station for 2009-14 by the petitioner after considering the approved additional capital expenditure for the year 2006-09 should not be considered since the petitioner has not effected the publication of the amended application in terms of Clause (2) of Section 64 of the Electricity Act, 2003. Similar arguments have also been put forth by the representative of the Consumer.
6. Clause (2) of Section 64 of the Electricity Act, 2003 provides as under:  
*“Every applicant shall publish the application, in such abridged form and manner, as may be specified by the appropriate Commission”*
7. In line with the above provision, the Commission has notified the Central Electricity Regulatory Commission (Procedure for making of application for determination of tariff, publication of the application and other related matters) Regulations, 2004, wherein Clause (6) of Regulation 3 provides as under:  
*“The applicant shall, within 7 days after making the application, publish a notice of his application in at least two daily newspapers, one in English language and one in vernacular language, having circulation in each of the State/Union Territory where the beneficiaries are situate in the same language as of the daily newspaper in which the notice of the application is published, as per the specimen given in the schedule to these regulations”*
8. It is clear from the above that the notice of the application for determination of tariff needs to be published by the petitioner as per specimen provided in the schedule to the said regulations. The petitioner, in compliance with the above had effected publication of notice of the application for determination of tariff for 2009-14 after posting the same in its web-site and after service of copy of the complete application on each of the beneficiaries.



9. During the proceedings held on 17.8.2010, the Commission directed the petitioner to file the adjustment statement of the capital cost, as admitted by the Commission as on 31.3.2009 for the generating stations after taking into consideration the tariff orders of the Commission for the period 2004-09 with copy to the respondents, including the representative of the consumer respondent.

10. The petitioner, in terms of the above directions had amended its tariff application by revising the tariff forms of the generating station after taking into consideration the tariff orders of the Commission for the period 2004-09 and after serving copies of the same to all the respondents including the consumer respondent. Since compliance made by the petitioner was as per directions of the Commission, we are of the view that there is no need for the petitioner to again publish notice of the amended application. Moreover, the expense involved in publication of notice of the amended application is required to borne by the respondents. In view of these, the submission of the respondents is liable to be rejected. Accordingly, we now proceed with the determination of tariff of the generating station for 2009-14.

## **CAPITAL COST**

### **(A) Capital Cost as on 1.4.2009**

11. The last proviso to Clause 2 of Regulation 7 of the 2009 Regulations provides as under:

*“Provided also that in case of the existing projects, the capital cost admitted by the Commission prior to 1.4.2009 and the additional capital expenditure to be incurred for the respective year of the tariff period 2009-14, as may be admitted by the Commission, shall form the basis for determination of tariff.”*

12. The Commission vide its order dated 17.5.2010 in Petition No. 211/2009 had approved the capital cost of ₹145849.72 lakh as on 31.3.2009, after taking into account the additional capital expenditure for the period 2006-09, for determination



of tariff for 2004-09. Accordingly, in terms of the above proviso, the capital cost of ₹145849.72 lakh has been considered as the opening capital cost as on 1.4.2009 for determination of tariff for 2009-14.

**(B) Additional Capital Expenditure for 2009-14 (projected)**

13. Regulation 9 of the 2009 regulations provides as under:

*“9. Additional Capitalization (1) The capital expenditure incurred or projected to be incurred, on the following counts within the original scope of work, after the date of commercial operation and up to the cut-off date may be admitted by the Commission, subject to prudence check:*

*(i) Un-discharged liabilities;*

*(ii) Works deferred for execution;*

*(iii) Procurement of initial capital spares within the original scope of work, subject to the provisions of regulation 8;*

*(iv) Liabilities to meet award of arbitration or for compliance of the order or decree of a court; and*

*(v) Change in law:*

*Provided that the details of works included in the original scope of work along with estimates of expenditure, un-discharged liabilities and the works deferred for execution shall be submitted along with the application for determination of tariff.*

*(2) The capital expenditure incurred on the following counts after the cut-off date may, in its discretion, be admitted by the Commission, subject to prudence check:*

*(i) Liabilities to meet award of arbitration or for compliance of the order or decree of a court;*

*(ii) Change in law;*

*(iii) Deferred works relating to ash pond or ash handling system in the original scope of work;*

*(iv) In case of hydro generating stations, any expenditure which has become necessary on account of damage caused by natural calamities (but not due to flooding of power house attributable to the negligence of the generating company) including due to geological reasons after adjusting for proceeds from any insurance scheme, and expenditure incurred due to any additional work which has become necessary for successful and efficient plant operation; and*

*(v) In case of transmission system any additional expenditure on items such as relays, control and instrumentation, computer system, power line carrier communication, DC batteries, replacement of switchyard equipment due to increase of fault level, emergency restoration system, insulators cleaning infrastructure, replacement of damaged equipment not covered by insurance and*



any other expenditure which has become necessary for successful and efficient operation of transmission system:

Provided that in respect sub-clauses (iv) and (v) above, any expenditure on acquiring the minor items or the assets like tools and tackles, furniture, air-conditioners, voltage stabilizers, refrigerators, coolers, fans, washing machines, heat convectors, mattresses, carpets etc. brought after the cut-off date shall not be considered for additional capitalization for determination of tariff w.e.f. 1.4.2009.

14. The petitioner has claimed the following additional capital expenditure (projected) in terms of Regulation 9 (2)(iv) of the 2009 regulations as under:

Head or works/ equipments	(₹ in lakh)				
	2009-10	2010-11	2011-12	2012-13	2013-14
Expenditure necessary for successful and efficient plant operation- <b>Regulation 9(2)(iv)</b>	0.00	736.00	275.00	1200.00	265.00

15. The assets which have been proposed to be capitalized after the cut-off date, under this head include 33 kV switchyard, 6500 LPM transformer oil filtration plant, break down voltage (BDV) test kit, parts per million (PPM) kit, D.C. resistance meter, harmonic measurement kit for lightening arrester, earth resistance tester, grid energy meter, submersible pump, residential building, CNG lathe machine, radial drill machine, chipper machine, cutter machine, on-line vibration monitoring, bays of 132 kV switchyard, single pole 132 kV circuit breaker for auto reclose scheme, remote terminal unit (RTU) and some other assets.

16. After examining the asset-wise details and justification for additional capitalization claimed by the petitioner under various categories and considering the submissions of the respondents, the admissibility of additional capital expenditure after prudence check, is discussed as stated overleaf:

Year	Asset/Work	Amount (₹ in lakh)	Findings
2010-11	Replacement of 33 kV Switchyard	300.00	<b>Not allowed</b> as the petitioner has not submitted sufficient justification as to why it has to take up the commissioning of 33 kV switchyard after 9 years of commercial operation and whether the said work was within the original scope of work.
	Break Down Voltage (BDV) test kit	10.00	Proviso to Regulation 9(2)(iv) of the 2009 regulations, provides that the expenditure on acquiring minor assets like tools and tackles etc after the cut-off date shall not be considered for additional capitalization. <b>Hence, the expenditure has not been allowed</b> since these assets are tools and tackles and minor in nature.
	Parts Per Million (PPM) kit	10.00	
	D.C. Resistance Meter	25.00	
	Harmonic measurement kit for Lightening Arrestor.	10.00	
	Earth Resistance Tester	10.00	
	Battery impedance test kit	4.00	
	Submersible Pump	2.00	
	Assets not included in the above.	115.00	<b>Allowed</b> as the assets are necessary for the successful and efficient operation of the generating station.
	Construction of Residential Building	250.00	The employees of the petitioner company have been living in semi-permanent residential buildings constructed during the construction period of the generating station. These building have outlived their useful life and the petitioner has taken up the work of construction of permanent residential buildings for the employees in phases. From the justification submitted by the petitioner, it is not clear whether these assets were part of the original scope of work of the project. Also, the gross value of the semi permanent building (old) has not been submitted. In view of this, the expenditure on the assets <b>has not been allowed</b> . However, the petitioner is at liberty to approach the Commission in future, with sufficient information like the gross value of the replaced semi-permanent buildings etc, along with relevant supporting documents indicating that this asset was within original scope of work, which would be considered in accordance with law.



Year	Asset/Work	Amount (₹ in lakh)	Findings
2011-12	CNG Lathe Machine,	30.00	Proviso to Regulation 9(2)(iv) of the 2009 regulations, provides that the expenditure on acquiring minor assets like tools and tackles etc after the cut-off date shall not be considered for additional capitalization. <b>Hence, the expenditure has not been allowed</b> since these assets are tools and tackles and minor in nature.
	Chipper Machine	15.00	
	Radial Drill Machine	25.00	
	Cutter Machine	5.00	
	Construction of Residential Building	200.00	The employees of the petitioner company have been living in semi-permanent residential buildings constructed during the construction period of the generating station. These building have outlived their useful life and the petitioner has taken up the work of construction of permanent residential buildings for the employees in phases. From the justification submitted by the petitioner, it is not clear whether these assets were part of the original scope of work of the project. Also, the gross value of the semi permanent building (old) has not been submitted. In view of this, the expenditure on the assets <b>has not been allowed</b> . However, the petitioner is at liberty to approach the Commission in future, with sufficient information like the gross value of the replaced semi-permanent buildings etc, along with relevant supporting documents indicating that this asset was within original scope of work, which would be considered in accordance with law.
2012-13	Two bays of 132 KV Switchyard	1000.00	<b>Not allowed.</b> The sole beneficiaries of these bays are Arunachal Pradesh and Pare Hydro electric project. As the asset does not contribute to the efficient operation of the generating station, the expenditure on the same <b>has not been allowed</b> .





Year	Asset/Work	Amount (₹ in lakh)	Findings
	Construction of Residential Building	200.00	The employees of the petitioner company have been living in semi-permanent residential buildings constructed during the construction period of the generating station. These building have outlived their useful life and the petitioner has taken up the work of construction of permanent residential buildings for the employees in phases. From the justification submitted by the petitioner, it is not clear whether these assets were part of the original scope of work of the project. Also, the gross value of the semi permanent building (old) has not been submitted. In view of this, the expenditure on the assets <b>has not been allowed</b> . However, the petitioner is at liberty to approach the Commission in future, with sufficient information like the gross value of the replaced semi-permanent buildings etc, along with relevant supporting documents indicating that this asset was within original scope of work, which would be considered in accordance with law.
2013-14	Single Pole 132 kV circuit breaker for auto reclose scheme	30.00	<b>Not allowed</b> since the asset is in the nature of spares.
	Construction of Residential Building	200.00	The employees of the petitioner company have been living in semi-permanent residential buildings constructed during the construction period of the generating station. These building have outlived their useful life and the petitioner has taken up the work of construction of permanent residential buildings for the employees in phases. From the justification submitted by the petitioner, it is not clear whether these assets were part of the original scope of work of the project. Also, the gross value of the semi permanent building (old) has not been submitted. In view of this, the expenditure on the assets <b>has not been allowed</b> . However, the petitioner is at liberty to approach the Commission in future, with sufficient information like the gross value of the replaced semi-permanent buildings etc, along with relevant supporting documents indicating that this asset was within original scope of work, which would be considered in accordance with law.
	Assets not included in the above.	35.00	<b>Allowed</b> are the assets are necessary for the successful and efficient operation of the generating station.



17. Based on the above discussions, the additional capital expenditure approved for 2009-14 is as under:

Particulars	(₹ in lakh)				
	2009-10	2010-11	2011-12	2012-13	2013-14
Regulation 9(2)(iv)	0.00	115.00	0.00	0.00	35.00

**(C) Capital cost for 2009-14**

18. Based on the above, the capital cost approved for 2009-14, is as stated overleaf:

Particulars	(₹ in lakh)				
	2009-10	2010-11	2011-12	2012-13	2013-14
Opening capital cost as on 1 <sup>st</sup> April of the financial year	145849.72	145849.72	145964.72	145964.72	145964.72
Additional capital expenditure approved	0.00	115.00	0.00	0.00	35.00
<b>Capital Cost as on 31<sup>st</sup> March of the financial year</b>	<b>145849.72</b>	<b>145964.72</b>	<b>145964.72</b>	<b>145964.72</b>	<b>145999.72</b>

**Debt Equity Ratio**

19. Regulation 12 of the 2009 regulations provides as under:

*“(1) For a project declared under commercial operation on or after 1.4.2009, if the equity actually deployed is more than 30% of the capital cost, equity in excess of 30% shall be treated as normative loan.*

*Provided that where equity actually deployed is less than 30% of the capital cost, the actual equity shall be considered for determination of tariff.*

*Provided further that the equity invested in foreign currency shall be designated in Indian rupees on the date of each investment.*

*Explanation.- The premium, if any, raised by the generating company or the transmission licensee, as the case may be, while issuing share capital and investment of internal resources created out of its free reserve, for the funding of the project, shall be reckoned as paid up capital for the purpose of computing return on equity, provided such premium amount and internal resources are actually utilised for meeting the capital expenditure of the generating station or the transmission system.*

*(2) In case of the generating station and the transmission system declared under commercial operation prior to 1.4.2009, debt-equity ratio allowed by the Commission for determination of tariff for the period ending 31.3.2009 shall be considered.*

*(3) Any expenditure incurred or projected to be incurred on or after 1.4.2009 as may be admitted by the Commission as additional capital expenditure for determination of*



*tariff, and renovation and modernisation expenditure for life extension shall be serviced in the manner specified in clause (1) of this regulation.*

20. The petitioner has submitted that that the additional capital expenditure has been financed through internal resources and others. In terms of the above said regulations, the debt-equity ratio of 70:30 has been considered on the admitted additional capital expenditure for the purpose of tariff, after adjustment of the un-discharged liability.

### **Return on Equity**

21. Regulation 15 of the 2009 regulations provides as under:

*“(1) Return on equity shall be computed in rupee terms, on the equity base determined in accordance with regulation 12.*

*(2) Return on equity shall be computed on pre-tax basis at the base rate of 15.5% to be grossed up as per clause (3) of this regulation.*

*Provided that in case of projects commissioned on or after 1st April, 2009, an additional return of 0.5% shall be allowed if such projects are completed within the timeline specified in Appendix-II.*

*Provided further that the additional return of 0.5% shall not be admissible if the project is not completed within the timeline specified above for reasons whatsoever.*

*(3) The rate of return on equity shall be computed by grossing up the base rate with the normal tax rate for the year 2008-09 applicable to the concerned generating company or the transmission licensee, as the case may be.*

*Provided that return on equity with respect to the actual tax rate applicable to the generating company or the transmission licensee, as the case may be, in line with the provisions of the relevant Finance Acts of the respective year during the tariff period shall be trued up separately for each year of the tariff period along with the tariff petition filed for the next tariff period.*

*(4) xxxxx*

22. The petitioner has considered the rate of Return on Equity @ 18.674%, based on prevailing MAT rate (Basic rate of 15%+10% surcharge+3% education Cess= 16.995%) for 2009-10.



23. In terms of the provisions of the above regulations, Return on equity has been worked out @17.481% per annum on the normative equity, after accounting for the additional capital expenditure, considering the base rate of 15.5% and MAT rate of 11.33%. Return on equity has been worked out as stated under:

(₹ in lakh)					
<b>Return on Equity</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>
Gross Notional Equity	72833.19	72833.19	72867.69	72867.69	72867.69
Additions due to additional capitalization	0.00	34.50	0.00	0.00	10.50
Closing Equity	72833.19	72867.69	72867.69	72867.69	72878.19
Average Equity	72833.19	72850.44	72867.69	72867.69	72872.94
Return on Equity (Base Rate)	15.500%	15.500%	15.500%	15.500%	15.500%
Min Alt. Tax rate for the year 2008-09	11.330%	11.330%	11.330%	11.330%	11.330%
Rate of Return on Equity	17.481%	17.481%	17.481%	17.481%	17.481%
<b>Return on Equity</b>	<b>12731.64</b>	<b>12734.65</b>	<b>12737.67</b>	<b>12737.67</b>	<b>12738.59</b>

24. Any change in rate of return on equity due to changes in the tax rate would however be considered at the time of truing up.

#### **Interest on loan**

25. Regulation 16 of the 2009 regulations provides as under:

*“(1) The loans arrived at in the manner indicated in regulation 12 shall be considered as gross normative loan for calculation of interest on loan.*

*(2) The normative loan outstanding as on 1.4.2009 shall be worked out by deducting the cumulative repayment as admitted by the Commission up to 31.3.2009 from the gross normative loan.*

*(3) The repayment for the year of the tariff period 2009-14 shall be deemed to be equal to the depreciation allowed for that year.*

*(4) Notwithstanding any moratorium period availed by the generating company or the transmission licensee, as the case may be the repayment of loan shall be considered from the first year of commercial operation of the project and shall be equal to the annual depreciation allowed.*

*(5) The rate of interest shall be the weighted average rate of interest calculated on the basis of the actual loan portfolio at the beginning of each year applicable to the project.*

*Provided that if there is no actual loan for a particular year but normative loan is still outstanding, the last available weighted average rate of interest shall be considered.*

*Provided further that if the generating station or the transmission system, as the case may be, does not have actual loan, then the weighted average rate of interest of the generating company or the transmission licensee as a whole shall be considered.*



(6) The interest on loan shall be calculated on the normative average loan of the year by applying the weighted average rate of interest.

(7) The generating company or the transmission licensee, as the case may be, shall make every effort to re-finance the loan as long as it results in net savings on interest and in that event the costs associated with such re-financing shall be borne by the beneficiaries and the net savings shall be shared between the beneficiaries and the generating company or the transmission licensee, as the case may be, in the ratio of 2:1.

(8) The changes to the terms and conditions of the loans shall be reflected from the date of such re-financing.

(9) In case of dispute, any of the parties may make an application in accordance with the Central Electricity Regulatory Commission (Conduct of Business) Regulations, 1999, as amended from time to time, including statutory re-enactment thereof for settlement of the dispute.

*Provided that the beneficiary or the transmission customers shall not withhold any payment on account of the interest claimed by the generating company or the transmission licensee during the pendency of any dispute arising out of re-financing of loan.*

26. The interest on loan has been calculated based on the following:

- (a) The opening gross normative loan as on 1.4.2009 for each unit of the generating station has been calculated in line with the above provisions of the regulations.
- (b) The weighted average rate of interest has been worked out on the basis of the actual loan portfolio of the respective year applicable to the generating station.
- (c) The repayment in respect of the respective years of the period 2009-14 has been considered equal to the depreciation allowed for the said years.
- (d) The interest on loan has been calculated on the normative average loan of the year by applying the weighted average rate of interest.

27. The interest on loan has been computed as under:

<i>(₹ in lakh)</i>					
<b>Interest on Loan</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>
Gross Normative loan	73016.53	73016.53	73097.03	73097.03	73097.03
Cumulative repayment upto previous year	48541.76	57593.77	66649.36	73097.03	73097.03
Net loan-Opening	24474.77	15422.76	6447.68	0.00	0.00
Repayment during the year	9052.01	9055.58	6447.68	0.00	24.50
Additions due to additional capitalisation(2009-14)	0.00	80.50	0.00	0.00	24.50
Net loan-closing	15422.76	6447.68	0.00	0.00	0.00
Average loan	19948.77	10935.22	3223.84	0.00	0.00
Weighted Average rate of Interest on loan	8.747%	8.966%	9.307%	9.410%	9.500%
<b>Interest</b>	<b>1744.85</b>	<b>980.43</b>	<b>300.04</b>	<b>0.00</b>	<b>0.00</b>



## Depreciation

28. Regulation 17 of the 2009 regulations provides as under:

*“(1) The value base for the purpose of depreciation shall be the capital cost of the asset admitted by the Commission.*

*(2) The salvage value of the asset shall be considered as 10% and depreciation shall be allowed up to maximum of 90% of the capital cost of the asset.*

*Provided that in case of hydro generating stations, the salvage value shall be as provided in the agreement signed by the developers with the State Government for creation of the site.*

*Provided further that the capital cost of the assets of the hydro generating station for the purpose of computation of depreciable value shall correspond to the percentage of sale of electricity under long-term power purchase agreement at regulated tariff.*

*(3) Land other than the land held under lease and the land for reservoir in case of hydro generating station shall not be a depreciable asset and its cost shall be excluded from the capital cost while computing depreciable value of the asset.*

*(4) Depreciation shall be calculated annually based on Straight Line Method and at rates specified in Appendix-III to these regulations for the assets of the generating station and transmission system.*

*Provided that, the remaining depreciable value as on 31st March of the year closing after a period of 12 years from date of commercial operation shall be spread over the balance useful life of the assets.*

*(5) In case of the existing projects, the balance depreciable value as on 1.4.2009 shall be worked out by deducting the cumulative depreciation including Advance against Depreciation] as admitted by the Commission upto 31.3.2009 from the gross depreciable value of the assets.*

*(6) Depreciation shall be chargeable from the first year of commercial operation. In case of commercial operation of the asset for part of the year, depreciation shall be charged on pro rata basis”.*

29. In terms of the above provision, the weighted average rate of depreciation of 6.2064% has been considered for the calculation of depreciation during the period 2009-14. Accordingly, depreciation has been worked out as stated overleaf:



(₹ in lakh)					
<b>Depreciation</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>
Gross block as on 31.3.2009	145849.72	145849.72	145964.72	145964.72	145964.72
Additional capital expenditure approved	0.00	115.00	0.00	0.00	35.00
Closing gross block	145849.72	145964.72	145964.72	145964.72	145999.72
Average gross block	145849.72	145907.22	145964.72	145964.72	145982.22
Rate of Depreciation	6.2064%	6.2064%	6.2064%	6.2064%	6.2064%
Depreciable value @ 90%	131264.75	131316.50	131368.25	131368.25	131384.00
Balance useful life of the asset	28.03	27.03	26.03	25.03	24.03
Remaining depreciable value	90206.32	81206.06	72202.23	63143.08	54099.68
<b>Depreciation</b>	<b>9052.01</b>	<b>9055.58</b>	<b>9059.15</b>	<b>9059.15</b>	<b>9060.24</b>

### Operation & Maintenance Expenses

30. Clause (f) of Regulation 19 of the 2009 regulations, provides as under:

*“(i) Operation and maintenance expenses, for the existing generating stations which have been in operation for 5 years or more in the base year of 2007-08, shall be derived on the basis of actual operation and maintenance expenses for the years 2003-04 to 2007-08, based on the audited balance sheets, excluding abnormal operation and maintenance expenses, if any, after prudence check by the Commission.*

*(ii) The normalized operation and maintenance expenses after prudence check, for the years 2003-04 to 2007-08, shall be escalated at the rate of 5.17% to arrive at the normalized operation and maintenance expenses at the 2007-08 price level respectively and then averaged to arrive at normalized average operation and maintenance expenses for the 2003-04 to 2007-08 at 2007-08 price level. The average normalized operation and maintenance expenses at 2007-08 price level shall be escalated at the rate of 5.72% to arrive at the operation and maintenance expenses for year 2009-10:*

*Provided that operation and maintenance expenses for the year 2009-10 shall be further rationalized considering 50% increase in employee cost on account of pay revision of the employees of the Public Sector Undertakings to arrive at the permissible operation and maintenance expenses for the year 2009-10.*

*(iii) The operation and maintenance expenses for the year 2009-10 shall be escalated further at the rate of 5.72% per annum to arrive at permissible operation and maintenance expenses for the subsequent years of the tariff period.*

31. The petitioner has claimed the following O&M expenses for the period 2009-14 based on the actual O&M expenditure incurred during the period from 2003-04 to 2007-08 as per provisions of the above regulations.



(₹ in lakh)					
Year	2009-10	2010-11	2011-12	2012-13	2013-14
O&M Expenses	7033.86	7436.20	7861.55	8311.23	8786.63

32. The year-wise break-up of actual O&M expenses for the period 2003-04 to 2007-08 furnished by the petitioner based on which O&M expenses for the period 2009-14 have been claimed are as under:

Sl.	ITEMS	2003-04	2004-05	2005-06	2006-07	2007-08
(Amount in lakh)						
1	Consumption of Stores and Spares	0.00	0.00	0.00	0.00	0.00
2	Repair and Maintenance	724.71	642.67	511.94	731.77	830.82
3	Insurance	303.10	294.23	307.26	176.50	114.21
4	Security	110.79	103.70	127.98	173.59	155.21
5	Administrative Expenses	101.87	91.97	73.34	102.19	91.93
6	Employee Cost	1421.54	1155.45	1266.37	2207.56	2731.97
7	Loss of store	9.79	0.00	0.00	0.00	0.00
8	Provisions	16.23	0.00	0.00	3.74	0.00
9	Corporate office expenses allocation	933.17	973.13	818.38	950.02	1249.78
10	Others (Specify items)	774.03	501.92	614.21	664.12	2234.38
11	Total (1 to 10)	4395.23	3763.07	3719.48	5009.49	7408.30
12	Revenue/ Recoveries, if any	0.00	0.00	0.00	0.00	0.00
<b>13</b>	<b>Net Expenses</b>	<b>4395.23</b>	<b>3763.07</b>	<b>3719.48</b>	<b>5009.49</b>	<b>7408.30</b>

33. It is observed from the above that employee cost forms a major component of the O&M expenses. Also, there has been a gradual rationalization of manpower and the manpower strength has been reduced from 405 nos during 2003-04 to 327 nos during 2007-08.

34. The actual O&M expenses in different years have been examined for abnormal increase for the purpose of normalization duly considering the justifications submitted by the petitioner, and the same is discussed in the subsequent paragraphs:

**(A) Repairs & Maintenance Expenses**

35. The petitioner has submitted the following repair & maintenance expenses





during the period 2003-04 to 2007-08:

	<i>(₹ in lakh)</i>				
	<b>2003-04</b>	<b>2004-05</b>	<b>2005-06</b>	<b>2006-07</b>	<b>2007-08</b>
Repair & Maintenance	<b>724.71</b>	<b>642.67</b>	<b>511.94</b>	<b>731.77</b>	<b>830.82</b>

36. It is observed that R&M expenditure has increased significantly during the years 2006-07 and 2007-08, on account of the rectification work of curtain grouting of surge shaft of the Ranganadi main tunnel which was undertaken in order to control leakages in tunnel. The petitioner has submitted that the said work was on account of geographical failure, since such situations do not occur normally. As the said work undertaken by the petitioner was a onetime activity, the said expenditure incurred for rectification work of tunnel has not been considered for the purpose of normalization of O&M expenses.

37. Accordingly, the following repairs and maintenance (R&M) charges during 2003-04 to 2007-08 have been considered for computing O&M charges for 2009-14.

	<i>(₹ in lakh)</i>				
<b>ITEMS</b>	<b>2003-04</b>	<b>2004-05</b>	<b>2005-06</b>	<b>2006-07</b>	<b>2007-08</b>
<b>Repair &amp; Maintenance considered</b>	<b>724.71</b>	<b>642.67</b>	<b>511.94</b>	<b>462.98</b>	<b>544.88</b>

### **Insurance**

38. Insurance charges have been allowed as per actuals claimed by the petitioner as under:

	<i>(₹ in lakh)</i>				
	<b>2003-04</b>	<b>2004-05</b>	<b>2005-06</b>	<b>2006-07</b>	<b>2007-08</b>
<b>Insurance charges</b>	<b>303.10</b>	<b>294.23</b>	<b>307.26</b>	<b>176.50</b>	<b>114.21</b>

### **Security**

39. The security expenses claimed by the petitioner is as under:

	<i>(₹ in lakh)</i>				
	<b>2003-04</b>	<b>2004-05</b>	<b>2005-06</b>	<b>2006-07</b>	<b>2007-08</b>
Security expenses	110.79	103.70	127.98	173.59	155.21



40. The petitioner has submitted that during 2006-07, the extra expenditure on security was on account of merger of 50% Dearness Allowance (DA) with the basic pay in respect of Meghalaya Home Guards (MLHG) with effect from 1.4.2005 and payment of arrears thereof. This has been considered.

41. Accordingly, the Security expenses claimed by the petitioner have been considered.

### **Administrative Expenses**

42. The details of administrative expenses incurred and claimed by the petitioner are given below:

	<i>(₹ in lakh)</i>				
<b>Year</b>	<b>2003-04</b>	<b>2004-05</b>	<b>2005-06</b>	<b>2006-07</b>	<b>2007-08</b>
<b>Administrative Expenses</b>	101.87	91.97	73.34	102.19	91.93

43. Administrative expense mainly includes expenditure on account of rent, electricity charges, Travelling and Conveyance allowances, communication expenses, donations, and entertainment charges etc. The details of the abnormal expenditure is examined as under:

### **Travelling and Conveyance**

44. It is noticed that during the year 2003-04 the travelling and conveyance expenses were ₹48.65 lakh as against ₹32.87 lakh and ₹32.31 lakh incurred during the years 2004-05 and 2005-06 respectively. No proper justification has been submitted by petitioner for such expenditure during 2003-04. Hence, the expenditure claimed is restricted to ₹32.87 lakh (equal to travelling and conveyance expenditure during 2004-05). The petitioner has also submitted that an increase in travelling expenses during the years 2006-07 and 2007-08 as compared to the other years was higher on account of settlement of increased number of T.A. bills on account of transfer of employees and also due to increase in number of official tours of officers. In view of this, the expenditure during the years 2006-07 and 2007-08



has been restricted to 20% of the expenditure of the previous year for purpose of normalization of O&M expenses.

### **Communication Expenses**

45. The petitioner has not submitted proper justification for abnormal increase in the expenditure incurred towards communication during 2006-07 and 2007-08. In view of this, the communication expenses during 2006-07 and 2007-08 has been restricted to 20% of the expenditure of the previous year for the purpose of normalization of O&M expenses.

### **Donations**

46. The petitioner during the year 2004-05 has incurred an amount of ₹15.80 lakh towards donations. This has not been considered for the purpose of normalization of O&M expenses.

47. Based on the above, the normalized administrative expenses considered for the purpose of O&M is as under:

	<i>(₹ in lakh)</i>				
<b>Year</b>	<b>2003-04</b>	<b>2004-05</b>	<b>2005-06</b>	<b>2006-07</b>	<b>2007-08</b>
<b>Administrative Expenses</b>	<b>86.09</b>	<b>76.17</b>	<b>73.34</b>	<b>77.39</b>	<b>84.52</b>

### **Employee cost**

48. The petitioner has claimed the following project specific expenses under employee cost:

	<i>(₹ in lakh)</i>				
<b>Year</b>	<b>2003-04</b>	<b>2004-05</b>	<b>2005-06</b>	<b>2006-07</b>	<b>2007-08</b>
<b>Employee cost</b>	<b>1421.54</b>	<b>1155.45</b>	<b>1266.37</b>	<b>2207.56</b>	<b>2731.97</b>

49. The petitioner has submitted that there has been a considerable increase of expenditure under the head "Salary, wages and allowances" during the year 2006-07 as compared to the previous year. According to the petitioner, the significant increase was on account of implementation of pay revision during the year 2006-07



with effect from 1.1.1997 for regular employees of the petitioner company and also towards the revision of salary for the muster roll employees.

50. It has also been submitted by the petitioner that an amount of ₹1267.96 lakh was paid as Salary and Wages to the employees during the year and the remaining amount of ₹939.60 lakh (₹2207.56 lakh - ₹1267.96 lakh) was paid as arrear of the previous period. Keeping in view the arrear amount of ₹939.60 lakh for 10 years as above, we consider an amount of ₹93.96 lakh per annum, as addition in the salary account for the purpose of normalization of O&M expenses for the period 2003-04 to 2006-07.

51. In addition to the above, during 2007-08, provision of ₹631.56 lakh (since 1.1.1997) has been created on account of merger of 50% of Dearness Allowance (D.A) with basic pay of the employees of the petitioner company following the Industrial D.A pay pattern with effect from 1.1.2007. Since increase on account of pay revision has been separately taken care under the 2009 regulations, the said amount has not been considered for purpose of normalization of O&M expenses.

52. The staff welfare expenses incurred during 2003-04 and 2004-05 was ₹267.15 lakh and ₹99.10 Lakh respectively. The petitioner has not submitted any justification for such a high expenditure in the staff welfare expenses during 2003-04. Hence, the said expenses have been restricted to ₹99.10 lakh (2004-05 level). Similarly, the expenses for other years have also been restricted to 20 % of the normalized expenses of the previous years.

53. It is observed that productive linked incentive has been included in the employee cost. This has not been considered since, incentives are to be paid out of the incentive being earned and the beneficiaries cannot be burdened on this count.



Similarly, the cost incurred on VRS or ex-gratia of the employees has not been allowed as the same needs to be borne by the petitioner.

54. In view of the above, the employees cost (for the generating station) considered for the purpose of normalization of O&M expenses is as under:

	<i>(₹ in lakh)</i>				
<b>Year</b>	<b>2003-04</b>	<b>2004-05</b>	<b>2005-06</b>	<b>2006-07</b>	<b>2007-08</b>
Employee cost	<b>1347.45</b>	<b>1227.45</b>	<b>1287.17</b>	<b>1504.62</b>	<b>2047.19</b>

### **Others**

55. The details of Others (specific items) expenses incurred and claimed as below are as below:

	<i>(₹ in lakh)</i>				
<b>Year</b>	<b>2003-04</b>	<b>2004-05</b>	<b>2005-06</b>	<b>2006-07</b>	<b>2007-08</b>
Others (Specify items)	<b>774.03</b>	<b>501.92</b>	<b>614.21</b>	<b>664.12</b>	<b>2234.38</b>

56. It was observed that the expenditure included the Deferred Revenues Expenditure (DRE) and write off charges. It is also noticed that during 2007-08 the petitioner had claimed an amount of ₹1915.09 lakh as expenses on account of DRE and write off. Hence, DRE & Write off charges have not been considered.

57. Other major expenditure under this head includes UI Charges, filing fees, interest on overdrafts, social welfare and transmission charges. The petition filing fee before the Commission is considered and reimbursed separately and hence not allowed. The submission of the petitioner that social welfare expenses mainly consists of expenditure related to the project educational facilities (Vivekanand Kendra Vidyalaya) is accepted and the same has been allowed. Other expenditure has also been restricted to 20%.

58. Based on the above, the Other expenses for the period 2003-04 to 2007-08 considered for calculation of O&M expenses is as stated overleaf:



(₹ in lakh)					
Year	2003-04	2004-05	2005-06	2006-07	2007-08
<b>Others (Specify items)</b>	<b>173.91</b>	<b>193.09</b>	<b>208.75</b>	<b>256.36</b>	<b>265.05</b>

### Corporate Office expenses

59. The year-wise details of the total Corporate Office expenses incurred by petitioner and its apportionment to the running generating stations, construction projects and other activities of the petitioner and proportionate corporate expenses charged to the generating station is as under:

(₹ in lakh)						
1.	ITEMS	2003-04	2004-05	2005-06	2006-07	2007-08
1	Employee expenses	2762.77	2859.11	2829.91	4278.67	5171.88
2	Administrative Expenses	2784.63	2059.71	1846.4	1372.7	1376.2
3	Security	9.38	63	140.88	69.65	79.18
4	Donations	0	0	0	0	0
5	Provisions	0	0	0	0	0
6	Others (specify items)	0	0	0	0	0
7	<b>Total (1 to 6)</b>	<b>5556.78</b>	<b>4981.82</b>	<b>4817.19</b>	<b>5721.02</b>	<b>6627.26</b>
8	Less: recoveries (if any)	675.17	1118.33	1311.99	547.26	1357.54
9	<b>Net Corporate Expenses (Aggregate)</b>	<b>4881.61</b>	<b>3863.49</b>	<b>3505.2</b>	<b>5173.76</b>	<b>5269.72</b>

### Consideration of Corporate Office expenses

60. The petitioner has submitted that as per accounting policy of the petitioner company the allocation of total corporate Office expenses to commissioned projects and the projects under construction have been done in proportion of sales and capital outlay during the year respectively. Further the re-allocations of the allocated corporate office expenses for commissioned projects, has been done on the gross generation of the projects during the year (financial year-wise).

61. The petitioner has also submitted that due to significant increase in generation during 2007-08 (1540.013 MUs) in comparison to 2006-07 (157.715



MUs), the allocation of corporate office expenditure during 2007-08 was higher when compared to the year 2006-07.

62. The petitioner has submitted that increase in Corporate Office expenditure under the head Salary and Wages, Staff welfare & Productivity Linked Incentive were on account of implementation of pay revision during the year 2006-07, with effect from 1.1.1997 for regular employees of the petitioner company and also the revision of salary for the muster roll employees. No further details of payments made on account of such revision have been submitted by the petitioner.

63. It is noticed that salaries, wages and allowances and Staff welfare expenses during 2006-07 and 2007-08 as claimed by the petitioner is higher when compared to the previous years and it appears to have included the proportionate expenses on account of ex-gratia, incentives and donations paid by the petitioner. In view of this, the Salaries, wages and allowances and Staff welfare expenses during 2006-07 have been restricted to 20% of the previous year expenses.

64. The expenses during 2006-07 towards Salaries, wages and allowances and Staff welfare expenses have been considered for the year 2007-08 also since the impact of pay revision has been considered separately while calculating the O&M expenses.

65. The productivity linked incentive has not been considered because it should be borne out of profit of the petitioner company.

66. The expenses on rent (under administrative head) during 2003-04 has been claimed as ₹64.43 lakh, which is higher than the rent expenses for other years and hence, the amount has restricted to the expenses on rent for the year 2004-05 (₹36.27 lakh). Similarly, the claim towards security expenses (under administrative



head) for ₹144.88 lakh during 2005-06 has been restricted to 20 % of the expenses of 2004-05, since, no proper justification has been submitted by the petitioner for the abnormal increase.

67. The normalized Corporate Office expenses considered towards O&M expenses for the period 2003-04 to 2007-08 is as stated under:

(₹ in lakh)						
Sl.	ITEMS	2003-04	2004-05	2005-06	2006-07	2007-08
(A) Break-up of corporate expenses (aggregate at company level)						
1	<b>Employee Expenses</b>					
a	Salaries, Wages and allowances	2453.93	2431.43	2463.60	2956.32	2956.32
b	Staff Welfare Expenses	308.84	350.35	296.34	355.61	355.61
c	Productivity Linked incentive	0.00	0.00	0.00	0.00	0.00
d	Expenditure on VRS	0.00	0.00	0.00	0.00	0.00
e	Ex-gratia	0.00	0.00	0.00	0.00	0.00
	<b>Sub-total</b>	<b>2762.77</b>	<b>2781.78</b>	<b>2759.94</b>	<b>3311.93</b>	<b>3311.93</b>
2	<b>Administrative Expenses</b>					
a	Repair & Maintenance	53.23	63.88	47.19	58.87	70.64
b	Training & Recruitment	3.52	2.37	3.48	8.81	12.19
c	Communication	57.43	74.50	80.68	74.04	81.79
d	Travelling & Conveyance	199.88	184.53	199.90	213.50	209.76
e	Rent	36.27	36.27	43.52	31.40	17.75
f	Others (specify items)	630.54	707.66	1071.92	944.33	813.83
	<b>Sub-total</b>	<b>980.87</b>	<b>1069.20</b>	<b>1446.70</b>	<b>1330.95</b>	<b>1205.96</b>
3	Security	9.38	63.00	75.60	69.65	79.18
4	Donations	0.00	0.00	0.00	0.00	0.00
5	Provisions	0.00	0.00	0.00	0.00	0.00
6	Others (specify items)	0.00	0.00	0.00	0.00	0.00
7	<b>Total (1 to 6)</b>	<b>3753.02</b>	<b>3913.98</b>	<b>4282.24</b>	<b>4712.53</b>	<b>4597.07</b>
8	Less: Recoveries, if any	675.17	1118.33	1311.99	547.26	1357.54
9	Net Corporate Expenses (aggregate)	3077.85	2795.65	2970.25	4165.27	3239.53
10	Percentage (%) allocation to generating station	19.12	25.19	23.35	18.36	23.72
11	Allocation to generating station	<b>588.36</b>	<b>704.17</b>	<b>693.48</b>	<b>764.84</b>	<b>768.30</b>





### O&M expenses considered during 2003-04 to 2007-08

68. Based on the above discussions, and after prudence check, the O&M expenses considered for the period 2003-04 to 2004-09 for calculation of O&M expenses for the tariff period 2009-14, is as stated under:

		<i>(Amount in lakh)</i>				
Sl.	ITEMS	2003-04	2004-05	2005-06	2006-07	2007-08
(1)	(2)	(3)	(4)	(5)	(6)	(7)
(A)	<b>Breakup of O&amp;M expenses</b>					
1	Consumption of Stores and Spares	0.00	0.00	0.00	0.00	0.00
2	Repair and Maintenance	724.71	642.67	511.94	462.98	544.88
3	Insurance	303.10	294.23	307.26	176.50	114.21
4	Security	110.79	103.70	127.98	173.59	155.21
5	Administrative Expenses	86.09	76.17	73.34	77.39	84.52
6	Employee Cost	1347.45	1227.45	1287.17	1504.62	2047.19
7	Loss of store	0.00	0.00	0.00	0.00	0.00
8	Provisions	0.00	0.00	0.00	0.00	0.00
9	Corporate office expenses allocation	588.36	704.17	693.48	764.84	768.30
10	Others (Specify items)	173.91	193.09	208.75	256.36	265.05
<b>11</b>	<b>Total (1 to 10)</b>	<b>3334.41</b>	<b>3241.48</b>	<b>3209.92</b>	<b>3416.28</b>	<b>3979.36</b>
12	Revenue/ Recoveries, if any	0.00	0.00	0.00	0.00	0.00
<b>13</b>	<b>Net Expenses</b>	<b>3334.41</b>	<b>3241.48</b>	<b>3209.92</b>	<b>3416.28</b>	<b>3979.36</b>

### O&M expenses for 2009-14

69. In order to include 50% increase in employee salary on account of pay revision, the average employee cost has been worked out as under:

		<i>(₹ in lakh)</i>				
ITEMS	2003-04	2004-05	2005-06	2006-07	2007-08	
Employee Cost (EC)						
Employee Cost (project)-(A)	1347.45	1227.45	1287.17	1504.62	2047.19	
Employee Cost of Corporate Office	2762.77	2781.78	2759.94	3311.93	3311.93	
% share for this generating station	19.12	25.19	23.35	18.36	23.72	
Apportioned EC of Corporate Office-(B)	528.13	700.67	644.38	608.15	785.47	
<b>Total Employee cost-(A+B)</b>	<b>1875.58</b>	<b>1928.12</b>	<b>1931.55</b>	<b>2112.77</b>	<b>2832.66</b>	



70. Accordingly, the normalization and averaging of O&M considered for the period 2003-04 to 2007-08 (at 2007-08 base level) has been undertaken as per the provisions of the 2009 regulation. After applying escalation @ 5.72% from 2008-09 and 50% increase of employee cost during 2009-10, the O&M expenses for the period 2009-14 is worked out as stated under:

ITEMS	(₹ in lakh)					
	2003-04	2004-05	2005-06	2006-07	2007-08	Average
Total Employee Cost	1875.58	1923.12	1931.55	2112.77	2832.66	-
Employee Cost at 2007-08 Base Rate	2294.58	2242.90	2136.43	2222.00	2832.66	2345.71
O&M considered	3334.41	3241.48	3209.92	3416.28	3979.36	-
<b>O&amp;M at 2007 Base Rate</b>	<b>4079.31</b>	<b>3770.67</b>	<b>3550.41</b>	<b>3592.91</b>	<b>3979.36</b>	<b>3794.53</b>

(₹ in lakh)		
	2008-09	2009-10
O&M with escalation @ 5.72 %	<b>4011.58</b>	<b>4241.04</b>
Employee cost with 5.72 % escalation	<b>2479.89</b>	<b>2621.74</b>

71. O&M Expenses in 2009-10 considering 50% increase in employee cost is as under:

(₹ in lakh)	
	2009-10
O&M expenses	4241.04
Employee cost (50%)	<b>1310.87</b>
Total	<b>5551.091</b>

72. The O&M Expenses allowed for the period 2009-14 is as under:

Year	(₹ in lakh)				
	2009-10	2010-11	2011-12	2012-13	2013-14
<b>O&amp;M Expenses claimed</b>	7033.86	7436.20	7861.55	8311.23	8786.63
<b>O&amp;M Expenses approved</b>	<b>5551.91</b>	<b>5869.48</b>	<b>6205.21</b>	<b>6560.15</b>	<b>6935.39</b>

### Interest on Working Capital

73. In accordance with sub-clause (c) of clause (1) of Regulation 18 of the 2009 regulations, working capital in case of hydro generating stations shall cover:

- (i) *Receivables equivalent to two months of fixed cost;*



(ii) Maintenance spares @ 15% of operation and maintenance expenses specified in regulation 19

(iii) Operation and maintenance expenses for one month;

74. The receivables have been worked out on the basis of two months of fixed cost and is allowed as stated under:

(₹ in lakh)

Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
Receivables	4974.75	4901.39	4845.50	4856.57	4922.58

75. The maintenance spares @ 30% of the O & M expenses has been allowed as under:

(₹ in lakh)

	2009-10	2010-11	2011-12	2012-13	2013-14
Maintenance spares	832.79	880.42	930.78	984.02	1040.31

76. O&M expenses for one month as claimed by the petitioner has been allowed as under:

(₹ in lakh)

	2009-10	2010-11	2011-12	2012-13	2013-14
O& M expenses	462.66	489.12	517.10	546.68	577.95

#### **Rate of interest on working capital**

77. Clause (3) of Regulation 18 of the 2009 regulations provides that the Rate of interest on working capital shall be on normative basis and shall be equal to the short-term Prime Lending Rate of State Bank of India as on 1.4.2009 or on 1st April of the year in which the generating station or a unit thereof or the transmission system, as the case may be, is declared under commercial operation, whichever is later. Accordingly, the SBI PLR as on 1<sup>st</sup> April of the year of date of commercial operation of the generating station i.e as on 1.4.2009 was 12.25%. This has been considered.



78. Necessary computations in support of calculation of interest on working capital is as shown below:

(₹ in lakh)					
<b>Particulars</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>
Maintenance Spares	832.79	880.42	930.78	984.02	1040.31
O & M expenses	462.66	489.12	517.10	546.68	577.95
Receivables	4974.75	4901.39	4845.50	4856.57	4922.58
<b>Total</b>	<b>6270.20</b>	<b>6270.93</b>	<b>6293.38</b>	<b>6387.27</b>	<b>6540.84</b>
Rate of Interest	12.25%	12.25%	12.25%	12.25%	12.25%
<b>Interest</b>	<b>768.10</b>	<b>768.19</b>	<b>770.94</b>	<b>782.44</b>	<b>801.25</b>

### **Annual Fixed Charges**

79. The annual fixed charges approved for the generating station for the period from 1.4.2009 to 31.3.2014 is as stated under:

(₹ in lakh)					
<b>Particulars</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>
Return on Equity	12731.64	12734.65	12737.67	12737.67	12738.59
Interest on Loan	1744.85	980.43	300.04	0.00	0.00
Depreciation	9052.01	9055.58	9059.15	9059.15	9060.24
Interest on Working Capital	768.10	768.19	770.94	782.44	801.25
O & M Expenses	5551.91	5869.48	6205.21	6560.15	6935.39
<b>Total</b>	<b>29848.51</b>	<b>29408.33</b>	<b>29073.01</b>	<b>29139.41</b>	<b>29535.47</b>

80. Annual fixed charges as calculated above shall be trued up at the end of the tariff period as per the provisions of Regulation 6 of the 2009 regulations.

81. The petitioner shall be entitled to compute and recover the annual fixed charges and energy charges in accordance with Regulation 22 of the 2009 regulations.

### **Design Energy**

82. The month-wise details of design energy in respect of the generating station is indicated in the following table:



<b>Month</b>	<b>Design Energy (MUs)</b>
April	125.49
May	120.12
June	122.17
July	247.43
August	224.97
September	156.32
October	111.19
November	81.09
December	88.22
January	79.03
February	68.76
March	84.90
<b>Total</b>	<b>1509.69</b>

### **Application fee and the publication expenses**

83. The petitioner has sought approval for reimbursement of ₹8,10,000/- towards reimbursement of petition filing fee paid by it for filing the instant petition for determination of tariff for the generating station. However, the details of the actual expenditure incurred for publication of notice in the newspapers, has not been submitted by the petitioner.

84. Regulation 42 of the 2009 regulations provides as under:

*“The application filing fee and the expenses incurred on publication of notices in the application for approval of tariff, may in the discretion of the Commission, be allowed to be recovered by the generating company or the transmission licensee, as the case may be, directly from the beneficiaries or the transmission customers, as the case may be.”*

85. The Commission by its order dated 11.1.2010 in Petition No.109/2009 (pertaining to approval of tariff for SUGEN power plant for the period from DOCO to 31.3.2014) had decided that filing fees in respect of main petitions for determination of tariff and the expenses on publication of notices are to be reimbursed.

86. Accordingly, the expenses incurred by the petitioner on application filing fees amounting to ₹8,10,000/-each for the years 2009-10 and 2010-11 in connection with the present petition, shall be directly recovered from the beneficiaries, on *pro rata* basis. The reimbursement of charges towards the publication of notices in



newspapers shall also be recovered by the petitioner on *pro rata* basis on submission of documentary proof of the same.

87. Petition No.296/2009 is disposed of in terms of the above.

Sd/-  
**[M.DEENA DAYALAN]**  
**MEMBER**

Sd/-  
**[S. JAYARAMAN]**  
**MEMBER**

