

**Central Electricity Regulatory Commission
New Delhi**

RECORD OF PROCEEDINGS

Petition No. 193/2009

Subject: Revision of fixed charges due to additional capital expenditure incurred during the period 2004-09 at Auraiya Gas Power Station (663.36 MW).

Date of Hearing: 20.1.2011

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

Petitioner: NTPC, New Delhi

Respondents: UPPCL, JVVNL, AVVNL, JoVVNL, DTL, NDPL, BSES-BRPL, BSES-BYPL, HPPC, PSEB, HPSEB, PDD, Govt. of J&K, PD, UT of Chandigarh, and UPCL

Parties present: Shri Ajay Dua, NTPC
Shri Sameer Agarwal, NTPC
Shri Manish Garg, UPPCL

This petition has been filed by the petitioner NTPC, for revision of fixed charges due to additional capital expenditure incurred for the period 2004-09 at Auraiya Gas Power Station (663.36 MW) (hereinafter referred to as "the generating station") based on the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2004 ("the 2004 regulations")

2. The representative of the petitioner submitted as under:
 - (a) The additional capital expenditure for Rs. 5.00 crore has been claimed in terms of Regulation-18 of the 2004 Regulations and the major expenditure of Rs. 3.20 crore was towards the storm water and effluent disposal systems as per CEA approved scheme.
 - (b) The detailed justification in respect of the expenditure has been submitted and hence the Commission may allow the additional capital expenditure as claimed in the petition.
 - (c) Additional submissions as required by the Commission have been filed with copy to the respondents and the rejoinder, to the reply filed by UPPCL has also been filed.

3. The representative of the respondent No.1, UPPCL submitted as under:
 - (a) The exclusion for de-capitalization of capital spares amounting to Rs.19.95 crore which were not allowed by the Commission in tariff should be disallowed as the same would have formed part of the capital cost;
 - (b) Huge amount of capital spares have been purchased within 7 years of the date of commercial operation of the generating station which needs to be looked into as it raises doubt about the quality of spares provided by the original Equipment Manufacturer (OEM);
 - (c) The petitioner has recovered excess depreciation to the tune of Rs 183.43 crore and the same may be directed to be reimbursed to the beneficiaries;
 - (d) The petitioner has recovered excess profits after tax to the tune of Rs. 467.36 crore for the period 2004-09 with average Return On Equity (ROE) of 40%, instead of 14% ROE specified by the Commission and the same was required to be refunded to the beneficiaries.

4. In response to the above, the representative of the petitioner clarified as under:
 - (a) The exclusion for de-capitalization of capital spares of Rs. 19.95 crore has been sought as these spares were de-capitalized from the books of accounts as these were unserviceable. These spares form part of the capitalized spares which were not allowed by the Commission in tariff.
 - (b) The contention regarding excess recovery of depreciation was incorrect as depreciation in the books of accounts was based on the depreciation rates specified under the Companies Act, whereas the depreciation recovered in tariff was in terms of the depreciation rates prescribed under the Regulations specified by the Commission.
 - (c) Regarding recovery of excess profit, the contentions of the respondent No.1, UPPCL was baseless since tariff recovered by the petitioner was determined by the Commission based on the normative parameters including Interest on Working Capital. Accordingly, it was not proper to compare the Profit after Tax (PAT) in the books of accounts with the ROE recovered in tariff.

5. On a specific query by the Commission as to nature of the capital spares, the representative of the petitioner clarified that the spares were mostly Turbine blades for Stage #1 & Stage #2 of the generating station.

6. The Commission after hearing the parties directed the petitioner to file on affidavit, information on the following:

“What are the factors which contribute to the difference between the figures in the Profit after Tax (PAT) in the books of accounts and the Return on Equity (RoE) recovered in the tariff. To illustrate this, the petitioner shall furnish the detailed computation for the period 2004-05 to 2008-09 in respect of Auraiya GPS.”

7. The above information shall be submitted to the Commission on or before 11.2.2011. Subject to the above, order in the petition was reserved.

Sd/-
Dr.N.C.Mahapatra
Chief Advisor (Law)