

**CENTRAL ELECTRICITY REGULATORY COMMISSION  
NEW DELHI**

**Petition No. 150/2009**

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

**DATE OF ORDER: 21.3.2012**

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**In the matter of**

Revision of fixed charges for 2004-09 due to additional capital expenditure incurred during the period 2006-09 in respect of Farakka STPS, (1600 MW) in terms of the order dated 22.2.2012 in Review Petition No. 11/2012.

**And in the matter of**

NTPC Ltd, New Delhi

.....**Petitioner**

Vs

- (1) West Bengal State Electricity Distribution Company Ltd, Kolkata
- (2) Bihar State Electricity Board, Patna
- (3) Jharkhand State Electricity Board, Ranchi
- (4) Grid Corporation of Orissa Ltd, Bhubaneswar
- (5) Damodar Valley Corporation, Kolkata
- (6) Power Department, Govt. of Sikkim, Gangtok
- (7) Tamil Nadu Electricity Board, Chennai
- (8) Electricity Department, Union Territory of Puducherry, Puducherry
- (9) Uttar Pradesh Power Corporation Ltd, Lucknow
- (10) Power Development Department, Govt. of J&K, Srinagar
- (11) Power Department, Union Territory of Chandigarh, Chandigarh
- (12) Madhya Pradesh Power Trading Company Ltd, Jabalpur
- (13) Gujarat Urja Vikas Nigam Ltd, Baroda
- (14) Electricity Department, Administration of Daman & Diu, Daman
- (15) Electricity Department, Administration of Dadra & Nagar Haveli, Silvassa
- (16) BSES Rajdhani Power Ltd, New Delhi
- (17) BSES Yamuna Power Ltd, Delhi
- (18) North Delhi Power Ltd, New Delhi
- (19) Maharashtra State Electricity Distribution Company Ltd, Mumbai

.....**Respondents**

## ORDER

The petitioner had made this application for approval of the revised fixed charges for the period 2004-09 after considering the impact of additional capital expenditure incurred during for the years 2006-07, 2007-08 and 2008-09 in respect of Farakka STPS, (1600 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”).

2. The tariff of the generating station for the period 1.4.2004 to 31.3.2009, was determined by the Commission by its order dated 9.5.2006 in Petition No.153/2004 and I.A. 55/2005. Subsequently, the tariff was revised by Commission’s order dated 27.10.2006 in Review Petition No.59/2006 (in Petition No.153/2004). Thereafter, the tariff for the generating station for the period 2004-09 was further revised by Commission’s order dated 22.7.2008 in Petition No. 32/2007 on account of additional capital expenditure incurred for the period 2004-05 and 2005-06 based on the capital cost of ₹307562.10 lakh as on 31.3.2006 after deduction of un-discharged liabilities amounting to ₹112.26 lakh and ₹194.86 lakh for the years 2004-05 and 2005-06 respectively and deduction of Interest During Construction (IDC) amounting to ₹23.09 lakh for the year 2005-06. Thereafter, by orders dated 24.12.2008 and 23.12.2009 respectively in Petition No.32/2007, the tariff for the generating station was revised after rectifying the inadvertent errors contained in orders dated 22.7.2008 and 24.12.2008 and after allowing IDC of ₹23.09 lakh which was disallowed for the year 2005-06.

3. In Petition No.150/2009 (along with I.A No.42/2009) filed by the petitioner, the annual fixed charges of the generating station for 2004-09 was revised by order of the Commission dated 28.4.2011, considering the impact of additional capital expenditure for the years 2006-07, 2007-08 and 2008-09 and after taking into consideration the judgment of the Appellate Tribunal for Electricity dated 13.6.2007 in Appeal Nos.139 to 142/2006, 10, 11 and 23 of 2007 etc and the judgments dated 10.12.2008 and 16.3.2009 in Appeal Nos. 151 & 152/2007 and Appeal Nos.133,135 etc of 2008, respectively, subject to the final outcome of the Civil Appeals [C.A. Nos. 5434/2007 to 5452/2007, 5622/2007 etc, C.A.Nos. 4112-4113/2009 and C.A.Nos. 6286 to 6288/2009 and other connected appeals] pending before the Hon'ble Supreme Court.

4. The capital cost of the generating station approved by Commission's order dated 28.4.2011 was as under:

	(₹ in lakh)				
	2004-05	2005-06	2006-07	2007-08	2008-09
Opening Capital cost as on 1.4.2004 considered vide order dated 9.5.2006 in Petition No. 153/2004	305438.14	-	-	-	-
Add: Additional FERV on normative basis for tariff period 2001-04	716.48	-	-	-	-
Opening Capital cost (considered now)	306154.61	307070.47	308608.78	311276.18	312282.23
Additional capital expenditure allowed	915.86	1538.31	2667.40	1006.05	777.93
<b>Closing Capital cost</b>	<b>307070.47</b>	<b>308608.78</b>	<b>311276.18</b>	<b>312282.23</b>	<b>313060.16</b>
<b>Average Capital cost</b>	<b>306612.54</b>	<b>307839.63</b>	<b>309942.48</b>	<b>311779.21</b>	<b>312671.20</b>

5. The annual fixed charges approved for the period from 1.4.2004 to 31.3.2009 by order dated 28.4.2011 is as under:

	(₹ in lakh)				
	2004-05	2005-06	2006-07	2007-08	2008-09
Interest on loan	751.38	545.75	393.02	332.05	157.09
Interest on Working Capital	4618.46	4664.58	4716.56	4779.23	4824.52
Depreciation	11428.79	11474.53	11552.91	11621.38	11654.63
Advance Against Depreciation	0.00	0.00	0.00	0.00	0.00
Return on Equity	21450.06	21501.59	21589.91	21667.06	21704.52
O & M Expenses	15600.00	16222.00	16870.00	17540.00	18252.00
<b>Total</b>	<b>53848.69</b>	<b>54408.45</b>	<b>55122.41</b>	<b>55939.72</b>	<b>56592.75</b>

6. Aggrieved by order dated 28.4.2011, the petitioner filed Review Petition (R.P. No. 11/2011) on the question of disallowance of capitalization of ₹225.54 lakh towards SAP-ERP system during 2008-09. The Commission after hearing the parties, allowed the prayer of the petitioner and directed the capitalization of expenditure on ERP amounting to ₹225.54 lakh during 2008-09 for the generating station by its order dated 22.2.2012. The relevant portion of the order is extracted as under:

*"11. In the light of foregoing discussions, we allow the application for review of the said order dated 28.4.2011, as aforesaid. Accordingly, the annual fixed charges determined by order dated 28.4.2011 in Petition No.150/2009 is directed to be revised taking into consideration the capitalization of expenditure on ERP amounting to ₹225.54 lakh during 2008-09. The present application for review stands disposed of as above."*

7. Based on the above, we now proceed to revise the annual fixed charges of the generating station by this order as discussed in the subsequent paragraphs.

8. The Commission vide its order dated 22.7.2008 in Petition No. 32/2007 had allowed the de-capitalization of ₹212.60 lakh for 2004-05 on account of inter-unit transfer of assets from Farakka STPS (the instant generating station) to Talcher STPS, Stage-II (2000 MW) (another generating station of the petitioner). However,

based on the direction's contained in the judgment of the Tribunal dated 18.7.2011 in Appeal No. 64/2010, the Commission vide its order dated 27.9.2011 (in Review Petition No. 46/2010 in Petition No.146/2008) had disallowed the corresponding capitalization of ₹212.60 lakh at Talcher STPS-Stage-II. In view of this, the de-capitalization has been ignored for the instant generating station. Hence, the additional capitalization considered as ₹915.86 lakh for 2004-05 vide Commission's order dated 28.4.2011 has been revised to ₹1128.46 lakh [₹(915.86+212.60) lakh]. Accordingly, the adjustments made in cumulative depreciation and the repayment due to de-capitalization has been adjusted to the extent considered vide order dated 28.4.2011.

9. In the light of the above, the annual fixed charges approved vide order dated 28.4.2011 in Petition No.150/2009 is revised as under:

### Capital Cost

10. The capital cost approved vide order dated 28.4.2011 stand revised as under:

	(₹ in lakh)				
	2004-05	2005-06	2006-07	2007-08	2008-09
Opening Capital cost	306154.61	307283.08	308821.39	311488.78	312494.84
Additional capital expenditure	1128.46	1538.31	2667.40	1006.05	1003.46
<b>Closing Capital cost</b>	<b>307283.08</b>	<b>308821.39</b>	<b>311488.78</b>	<b>312494.84</b>	<b>313498.30</b>
<b>Average Capital cost</b>	<b>306718.85</b>	<b>308052.23</b>	<b>310155.08</b>	<b>311991.81</b>	<b>312996.57</b>

### Return on Equity

11. Return on equity in order dated 28.4.2011 is revised as under:

	(₹ in lakh)				
	2004-05	2005-06	2006-07	2007-08	2008-09
Equity – Opening considered now	153077.31	153415.85	153877.34	154677.56	154979.37
Addition of Equity due to admitted additional capital expenditure	338.54	461.49	800.22	301.82	301.04
Equity-Closing	153415.85	153877.34	154677.56	154979.37	155280.41
Average equity	153246.58	153646.59	154277.45	154828.47	155129.89
<b>Return on Equity @ 14%</b>	<b>21454.52</b>	<b>21510.52</b>	<b>21598.84</b>	<b>21675.99</b>	<b>21718.19</b>

## Interest on Loan

12. Interest on loan in order dated 28.4.2011 is revised as under:

	(₹ in lakh)				
	2004-05	2005-06	2006-07	2007-08	2008-09
<b>Gross Opening loan – Considered now</b>	153077.31	153867.23	154944.05	156811.23	157515.46
Cumulative Repayment of loan upto previous year	133115.43	138947.59	144752.18	150425.52	153640.99
<b>Net Loan Opening</b>	<b>19961.88</b>	<b>14919.64</b>	<b>10191.86</b>	<b>6385.70</b>	<b>3874.47</b>
Addition of loan due to admitted additional capital expenditure	789.92	1076.82	1867.18	704.24	702.42
Repayment of loan (Normative)	5924.51	6096.85	6026.77	3424.93	640.58
Less: Adjustment for de-cap during the period	92.35	292.25	353.43	209.46	157.27
Repayment of loan during the year (net)	5832.16	5804.59	5673.34	3215.47	483.31
<b>Net Loan Closing</b>	<b>14919.64</b>	<b>10191.86</b>	<b>6385.70</b>	<b>3874.47</b>	<b>4093.58</b>
Average Loan	17440.76	12555.75	8288.78	5130.09	3984.02
Weighted Average Rate of Interest on Loan	4.3082%	4.3466%	4.7416%	6.4727%	4.0226%
<b>Interest on Loan</b>	<b>751.38</b>	<b>545.75</b>	<b>393.02</b>	<b>332.05</b>	<b>160.26</b>

## Depreciation

13. Depreciation arrived at in order dated 28.4.2011 is revised as under:

	(₹ in lakh)				
	2004-05	2005-06	2006-07	2007-08	2008-09
Opening capital cost	306154.61	307283.08	308821.39	311488.78	312494.84
Closing capital cost	307283.08	308821.39	311488.78	312494.84	313498.30
Average capital cost	306718.85	308052.23	310155.08	311991.81	312996.57
Depreciable value @ 90%	275277.38	276477.43	278370.00	280023.05	280927.34
Balance depreciable value	115732.25	105581.70	96354.91	86898.10	76434.49
Balance useful life	14.43	13.43	12.43	11.43	10.43
<b>Depreciation</b>	<b>11432.76</b>	<b>11482.46</b>	<b>11560.84</b>	<b>11629.30</b>	<b>11666.75</b>

## Interest on working capital

14. Interest on Working capital is worked out as under:

	(₹ in lakh)				
	2004-05	2005-06	2006-07	2007-08	2008-09
Coal Stock- 1.1/2 months	12405.83	12405.83	12405.83	12439.82	12405.83
Oil stock -2 months	504.22	504.22	504.22	505.60	504.22
O & M expenses	1300.00	1351.83	1405.83	1461.67	1521.00
Maintenance Spares	4830.13	5134.98	5469.29	5806.71	6164.84
Receivables	26021.57	26116.29	26235.29	26418.21	26482.44

<b>Total Working Capital</b>	<b>45061.74</b>	<b>45513.15</b>	<b>46020.45</b>	<b>46631.99</b>	<b>47078.33</b>
Rate of Interest	10.2500%	10.2500%	10.2500%	10.2500%	10.2500%
<b>Total Interest on Working capital</b>	<b>4618.83</b>	<b>4665.10</b>	<b>4717.10</b>	<b>4779.78</b>	<b>4825.53</b>

### Annual Fixed Charges

15. The annual fixed charges for the generating station for 2004-09 are revised as under:

	(₹ in lakh)				
	<b>2004-05</b>	<b>2005-06</b>	<b>2006-07</b>	<b>2007-08</b>	<b>2008-09</b>
Interest on loan	751.38	545.75	393.02	332.05	160.26
Interest on Working Capital	4618.83	4665.10	4717.10	4779.78	4825.53
Depreciation	11432.76	11482.46	11560.84	11629.30	11666.75
Advance Against Depreciation	0.00	0.00	0.00	0.00	0.00
Return on Equity	21454.52	21510.52	21598.84	21675.99	21718.19
O & M Expenses	15600.00	16222.00	16870.00	17540.00	18252.00
<b>Total</b>	<b>53857.48</b>	<b>54425.83</b>	<b>55139.80</b>	<b>55957.12</b>	<b>56622.73</b>

16. The annual fixed charges determined in this order are subject to the outcome of Civil Appeals as stated above, pending before the Hon'ble Supreme Court.

17. The petitioner shall claim the difference in respect of the tariff determined by order dated 28.4.2011 and the tariff determined by this order, from the beneficiaries in three equal monthly installments.

18. Petition No.150/2009 stands disposed of in terms of the above.

Sd/-  
(M.DEENA DAYALAN)  
MEMBER

Sd/-  
(V.S.VERMA)  
MEMBER

Sd/-  
(S.JAYARAMAN)  
MEMBER

Sd/-  
(DR.PRAMOD DEO)  
CHAIRPERSON