

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Petition No. 177/GT/2013

Coram:

**Shri Gireesh B.Pradhan, Chairperson
Shri M.Deena Dayalan, Member
Shri A.K.Singhal, Member**

Date of Hearing: 24.10.2013

Date of Order: 09.06.2014

In the matter of

Revision of tariff of Tanakpur Hydroelectric Project (3 x 31.4 MW) for the period from 1.4.2009 to 31.3.2014-Truing-up of tariff determined by order dated 10.5.2011 in Petition No.75/2010 and order dated 9.8.2012 in R.P. No. 14/2011.

And in the matter of

NHPC Ltd,
NHPC Office Complex, Sector 33,
Faridabad – 121003

.....Petitioner

Vs

1. Punjab State Power Corporation Ltd
The Mall, Secretariat Complex,
Patiala – 147 001

2. Haryana Power Purchase Centre,
Shakti Bhawa, Sector 6,
Panchkula – 134 109

3. BSES Rajdhani Power Ltd
BSES Bhawan, Nehru Place,
New Delhi – 110 019

4. Uttar Pradesh Power Corporation Ltd
Shakti Bhawan,
14, Ashok Road,
Lucknow – 226 001

5. BSES Yamuna Power Ltd
BSES Bhawan, Nehru Place,
New Delhi – 110 019

6. Rajasthan Rajya Vidyut Prasaran Nigam Ltd
Vidyut Bhawan, Janpath, Jyoti Nagar,
Jaipur – 302 205



7. Jaipur Vidyut Vitran Nigam Ltd
Vidyut Bhawan, Janpath,
Jaipur – 302 205
8. Jodhpur Vidyut Vitran Nigam Ltd
New Power House, Industrial Area,
Jodhpur – 342 003
9. Ajmer Vidyut Vitran Nigam Ltd
Old Power House,
Hatthi Bhatta, Jaipur Road,
Ajmer – 305 001
10. Tata Power Delhi Distribution Ltd
33 KV Sub-station, Kingsway Camp
Delhi – 110 009
11. Uttranchal Power Corporation Ltd
Urja Bhawan, Kanwali Road,
Dehradun – 248 001
12. Himachal Pradesh State Electricity Board,
Vidyut Bhawan, Kumar House,
Shimla-171004
13. Engineering Department,
1st Floor, UT Secretariat,
Sector-9 D, Chandigarh-160009
14. Power Development Department,
Government of J&K,
New Secretariat
Jammu – 180001

...Respondents

Parties present

For Petitioner

Shri Parag Saxena, NHPC
Shri S.K.Meena, NHPC

For Respondents

Shri Padamjit Singh, PSPCL
Shri R.B.Sharma, Advocate, BRPL

ORDER

The petition has been filed by NHPC Ltd, for revision of tariff in respect of Tanakpur Hydroelectric Project (3x 31.4 MW) ('the generating station'), for the period 1.4.2009 to 31.3.2014 in accordance with clause (1) of Regulation 6 of the Central Electricity Regulatory Commission (Terms



and Conditions of Tariff) Regulations, 2009 ('the 2009 Tariff Regulations') after accounting for additional capital expenditure.

2. The generating station was commissioned during April, 1993. Petition No. 75/2010 was filed by the petitioner for determination of tariff of the generating station for the period from 1.4.2009 to 31.3.2014 and the Commission by its order dated 10.5.2011 had determined the annual fixed charges for the generating station for the period 2009-14. Subsequently, the annual fixed charges determined by order dated 10.5.2011 were revised by Commission's order dated 15.6.2012 in Review Petition No. 14/2011. Thereafter, the Commission vide its order (corrigendum) dated 9.8.2012 in Review Petition No. 14/2011, after correction of certain errors, modified the order dated 15.6.2012. Accordingly, the annual fixed charges determined by order dated 9.8.2012 was as under:

	(` in lakh)				
	2009-10	2010-11	2011-12	2012-13	2013-14
Return on Equity	1715.10	1734.28	1755.93	1767.54	1769.29
Interest on Loan	0.00	0.00	0.00	0.00	0.00
Depreciation	894.17	912.61	936.42	952.25	954.75
Interest on Working Capital	286.05	300.09	315.04	330.43	346.17
O & M Expenses	4631.41	4896.32	5176.39	5472.48	5785.51
Total	7526.73	7843.29	8183.78	8522.70	8855.72

3. The petitioner in this petition has claimed revision of tariff for the period 2009-14 based on the actual additional capital expenditure incurred during the period 2009-12 and revised projections for additional capital expenditure for the period 2012-14.

4. Replies to the petition have been filed by Respondent No.1, Punjab State Power Corporation Ltd (PSPCL), Respondent No.3, BSES Rajdhani Power Ltd (BRPL), Respondent No.4 Uttar Pradesh Power Corporation Ltd (UPPCL) and the Respondent No. 9, Ajmer Vidyut Vitran Nigam Ltd (AVVNL). The petitioner has also filed its rejoinder to the said replies.

5. The first proviso to Regulation 6 of the 2009 Tariff Regulations provides as under:

"6. Truing up of Capital Expenditure and Tariff

(1) The Commission shall carry out truing up exercise along with the tariff petition filed for the next tariff period, with respect to the capital expenditure including additional capital expenditure incurred up to 31.3.2014, as admitted by the Commission after prudence check at the time of truing up.

Provided that the generating company or the transmission licensee, as the case may be, may in its discretion make an application before the Commission one more time prior to 2013-14 for revision of tariff."

6. The petitioner's claim for the revised annual fixed charges is summarized as under:

	(` in lakh)				
	2009-10	2010-11	2011-12	2012-13	2013-14
Return on Equity	2296.65	2292.15	2302.74	1769.85	1771.68
Interest on Loan	0.00	0.00	0.00	0.00	0.00
Depreciation	889.33	905.21	933.94	952.05	954.66
Interest on Working Capital	298.07	311.56	326.39	330.47	346.22
O & M Expenses	4631.41	4896.32	5176.39	5472.48	5785.51
Total	8115.46	8405.24	8739.45	8524.85	8858.08

Capital Cost

7. The last proviso to Regulation 7 of the 2009 Tariff Regulations, as amended on 21.6.2011, provides as under:

"Provided also that in case of the existing projects, the capital cost admitted by the Commission prior to 1.4.2009 duly trued up by excluding un-discharged liability, if any, as on 1.4.2009 and the additional capital expenditure projected 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."

8. The Commission had considered the capital cost of `39301.26 lakh as on 31.3.2009 in order dated 10.5.2011 in Petition No. 75/2010 as the opening capital cost as on 1.4.2009 for the purpose of approval of tariff for the period 2009-14. Accordingly, this capital cost has been considered as on 1.4.2009 for the purpose of tariff in this petition.

Additional Capital Expenditure

9. Regulation 9 of the 2009 Tariff Regulations, as amended on 21.6.2011 and 31.12.2012, provides as under:

*"9. **Additional Capitalisation.** (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;

(iii) 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 or projected to be 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.

(vi) In case of gas/liquid fuel based open/ combined cycle thermal generating stations, any expenditure which has become necessary on renovation of gas turbines after 15 year of operation from its COD and the expenditure necessary due to obsolescence or non-availability of spares for successful and efficient operation of the stations.

Provided that any expenditure included in the R&M on consumables and cost of components and spares which is generally covered in the O&M expenses during the major overhaul of gas turbine shall be suitably deducted after due prudence from the R&M expenditure to be allowed.

(vii) Any capital expenditure found justified after prudence check necessitated on account of modifications required or done in fuel receipt system arising due to non-materialisation of full coal linkage in respect of thermal generating station as result of circumstances not within the control of the generating station.

(viii) Any un-discharged liability towards final payment/withheld payment due to contractual exigencies for works executed within the cut-off date, after prudence check of the details of such deferred liability, total estimated cost of package, reason for such withholding of payment and release of such payments etc.

(ix) Expenditure on account of creation of infrastructure for supply of reliable power to rural households within a radius of five kilometers of the power station if, the generating company does not intend to meet such expenditure as part of its Corporate Social Responsibility.”

10. The additional capital expenditure for 2009-14 allowed after adjustment of un-discharged liabilities

vide order dated 10.5.2011 in Petition No. 75/2010 is as under:

(` in lakh)

	2009-10	2010-11	2011-12	2012-13	2013-14
Additional Capitalization allowed (prior to adjustment on account of un-discharged liabilities)	296.91	425.57	399.98	43.05	23.42
(+) Liabilities discharged	8.83	0.00	0.00	0.00	0.00
Additional Capitalization allowed for the purpose of tariff	305.74	425.57	399.98	43.05	23.42

11. The petitioner in the present petition has claimed following actual additional capital expenditure for the period 2009-12:

(` in lakh)

	2009-10	2010-11	2011-12	2012-13	2013-14
Additional capitalization (before adjustment on account of un-discharged liabilities)	94.36	544.88	540.95	43.05	23.42
Less: Un-discharged liabilities during the year	0.49	4.80	2.11	0.00	0.00
Less: Assumed deletions	0.61	10.56	1.72	0.00	0.00
Add: Liabilities discharged during the year (Related to actual additional capital expenditure for the period 2009-12)	0.00	0.46	3.41	3.54	0.00
Add: Liabilities discharged during the year (Related to un-discharged liability as on 31.3.2009)	8.37	0.46	0.00	0.00	0.00
Additional Capital Expenditure claimed	101.62	530.43	540.54	46.59	23.42

12. The respondent BRPL in its reply has submitted that the petitioner shall be directed to file complete details of the additional capital expenditure incurred for the period 2009-10 to 2011-12 duly audited and certified by auditors as per Regulation 6(3) of the 2009 Tariff Regulations. We notice that the petitioner, in compliance with our direction dated 5.8.2013 has submitted the audited statement of additional capitalization on 23.8.2013.

13. The reconciliation of the actual additional capital expenditure claimed with respect to the additional capital expenditure as per books of accounts, duly certified by auditor for the period 2009-12 is as under:

(` in lakh)

	2009-10	2010-11	2011-12
Net Additions as per books (a)	76.02	559.72	544.68
Additions claimed (b)			

Additions against works already approved by Commission	36.13	392.79	128.33
Additions not projected earlier but incurred and claimed	60.26	154.27	459.88
Total (b)	96.38	547.06	588.21
Deletions (c)	(-) 2.03	(-) 2.19	(-) 47.25
Exclusions in additions (incurred, capitalized in books but not claimed for tariff purpose) (d1)	9.92	41.02	87.31
Exclusions in deletions (de-capitalized in books but not considered for tariff purpose) (d2)	(-) 28.26	(-) 26.18	(-) 83.58
Net value of exclusions (d=d1+d2)	(-) 18.34	14.84	3.73
Total (e)=(b)+(c)+(d) (matching with (a) above i.e additions as per books)	76.02	559.72	544.68
Net claim before assumed deletions/un-discharged /discharged liabilities (f)=(b)+(c)	94.36	544.88	540.95
Less: Assumed deletion	0.61	10.56	1.72
Less: Un-discharged liabilities in the claimed Additional Capital Expenditure	0.49	4.80	2.11
Add: Liabilities discharged during the year	8.37	0.92	3.41
Additional Capital Expenditure claimed	101.62	530.43	540.54

14. Based on the above reconciliation, the year-wise admissibility of the works, the expenditure allowed by the Commission for these works, the actual expenditure against these works along with admissibility of the actual expenditure in terms of the 2009 Tariff Regulations for 2009-10, 2010-11 and 2011-12 under various heads taking into consideration the submission of the parties is discussed in the subsequent paragraphs:

Additions against Works approved in Orders dated 16.6.2011

15. The year-wise actual additional capital expenditure claimed by the petitioner vis-à-vis the additional capital expenditure allowed by the Commission on projected basis in orders dated 10.5.2011/9.8.2012 in Petition No. 75/2010/R.P.No.14/2011 is as under:

	(` in lakh)		
	2009-10	2010-11	2011-12
Additional capital expenditure allowed by Commission	296.91	425.57	399.98
Actual additional capital expenditure claimed	101.62	530.43	540.54

2009-10

(` in lakh)

Sl.No.	Assets/works	Amount allowed by order dated 10.5.2011/9.8.2012 on projected basis	Actual expenditure incurred/ claimed	Decision on admissibility
1	2 MVA, 33/11 KV transformer accessories with	24.55 (allowed for sub-station equipments for additional bay)	13.28	Allowed under Regulation 9(2) (iv) for approved works / assets. (Further, the expenditure incurred towards 33 kV VCB has been claimed in 2010-11)
2	20 Meter High Mast for TRC gate & central store	10.60	4.56	Allowed under Regulation 9(2) (iv) for already approved works /assets. (Further, expenditure of `2.79 lakh incurred towards 20 meter high mast for central Store has been claimed in 2010-11)
3	Fork lifters-Replacement of old asset	11.39 [12.00-0.61]	11.79	Allowed under Regulation 9(2) (iv) for already approved works/assets. De-capitalization value of `0.61 lakh has been considered under 'assumed deletions'.
4	Computers & printers	14.00	4.66	Not allowed as the assets are of minor nature and is not admissible in terms of proviso to Regulation 9(2)(iv) of the 2009 Tariff Regulations
5	Other EDP equipment (Additional against ERP requirement)	3.52	1.84	
Total Expenditure claimed			36.13	
Total Expenditure allowed				29.63

16. The Commission in its order dated 10.5.2011 in Petition No. 75/2010, had disallowed the expenditure related to computers (including other EDP equipments etc. amounting to `29.52 lakh on the ground that these assets are of minor nature and were not admissible in terms of proviso to Regulation 9(2)(iv) of the 2009 Tariff Regulations. However, it is observed that the corresponding projected expenditure for these assets was inadvertently included in the list of allowed assets. Accordingly, this error has been corrected and as per proviso to Regulation 9(2)(iv), the corresponding actual expenditure for these assets has been disallowed.

17. The petitioner has clarified that the variation in respect of the additional capital expenditure allowed by Commission on projected basis to the actual expenditure incurred in case of certain assets/works is lesser or higher, on account of the competitive rates quoted by the bidders

2010-11

				(` in lakh)
Sl.No.	Assets/works	Amount allowed by order dated 10.5.2011/9.8.2012 on projected basis	Actual expenditure incurred/claimed	Decision on admissibility
1	Construction of morcha for CISF	4.00	4.00	Allowed under Regulation 9(2)(iv) for already approved works.
2	Construction of room for ATM machine	1.20	0.91	
3	Purchase of PA system for PH	4.00	3.64	
4	11 KV breaker (complete) for barrage sub-station (Indoor panels purchased)	27.00 [30.00-3.00] (de-capitalization)	14.81	Allowed under Regulation 9(2) (iv) for approved works. De-capitalized value of `1.88 lakh has been considered under 'assumed deletions' against the part expenditure of `9.45 lakh incurred/claimed in 2011-12.
5	Submersible pump for water supply	3.56 [4.00-0.44]	2.06	Allowed under Regulation 9(2) (iv) for approved works. De-capitalized value of `0.44 lakh has been considered under 'assumed deletions'.
6	Tipper (2 nos.) (Replacement)	24.05 [25.00-0.95]	21.43	Allowed under Regulation 9(2) (iv) for approved works. De-capitalized value of `5.28 lakh has been considered under assumed deletions
7	Computers & printers	5.00	3.00	Not allowed as the assets are of minor nature and are not admissible in terms of proviso to Regulation 9(2)(iv)
8	Other EDP equipment	1.00	0.92	
9	Construction of Gabion structure & spurs	100.00	100.45	Allowed under Regulation (2) (iv) for approved works.
Total Expenditure claimed			151.22	
Total Expenditure allowed				147.30

18. As stated in para 16 above, the corresponding projected expenditure for these assets was inadvertently included in the list of allowed assets. Accordingly, this error has been corrected and as per proviso to Regulation 9(2)(iv), the corresponding actual expenditure for these assets has been disallowed.

2011-12

(` in lakh)

SI.No	Assets/works	Amount allowed by order dated 10.5.2011/9.8.2012 on projected basis	Actual expenditure incurred/ claimed	Decision on admissibility
1	Digital photocopier/ color photocopier	4.00	4.11	Not allowed as the assets are of minor nature and are not admissible in terms of proviso to Regulation 9(2)(iv)
2	Computers & printers	2.00	2.03	
Total Expenditure claimed			6.14	
Total Expenditure allowed				0.00

19. As stated in para 16 above, the corresponding projected expenditure for these assets was inadvertently included in the list of allowed assets. Accordingly, this error has been corrected and as per proviso to Regulation 9(2)(iv), the corresponding actual expenditure for these assets has been disallowed.

Works allowed in 2009-10 but capitalized in 2010-11

(` in lakh)

SI.No	Assets/works	Amount allowed by order dated 10.5.2011/9.8.2012 on projected basis	Actual expenditure incurred/ claimed	Decision on admissibility
1	20 Meter High Mast for central store	6.00	2.79	Allowed under Regulation 9(2) (iv) for already approved works.
2	Ambulance	4.81 (7.00-2.19)	4.68	Allowed under Regulation 9(2) (iv) for already approved works, against replacement of old asset. De-capitalization value of `2.19 lakh has been considered under deletions for 2010-11
3	Cooling water pumps	4.50 (7.00-2.50)	6.92	Allowed under Regulation 9(2) (iv) for already approved works, against replacement of old asset. De-capitalization value of `2.50 lakh has been considered under assumed deletions.

4	Other EDP equipment	3.52	1.98	Not allowed as the assets are of minor nature and are not admissible in terms of proviso to Regulation 9(2)(iv)
5	Computers & printers	14.00	9.00	
6	12.5 MT swing boom crane	79.54 (80.00-0.46)	71.35	Allowed under Regulation 9(2) (iv) for already approved works, against replacement of old asset. De-capitalization value of ` 0.46 lakh has been considered under assumed deletions)
7	33 KV VCB & other accessories	24.55 (for sub-station equipment including 33 kV VCB for additional bay)	2.26	Allowed under Regulation 9(2) (iv) for already approved works.
8	Electrostatic oil cleaning and dehydrating machine	5.00	4.59	Allowed under Regulation 9(2) (iv) for already approved works.
9	Const. of Gabion structure & spurs- includes Procurement of 200 nos. polypropylene fishnet tetra pots, Casting of 500 tetra pots	138.00	138.00	Allowed under Regulation 9(2) (iv) for already approved works.
Total Expenditure claimed			241.57	
Total Expenditure allowed				230.59

Work allowed in 2010-11 but capitalized in 2011-12

(` in lakh)

SI.No	Assets/works	Amount allowed by order dated 10.5.2011/9.8.2012 on projected basis	Actual expenditure incurred/ claimed	Decision on admissibility
1	20 Meter High Mast for barrage	6.00	3.39	Allowed under regulation 9(2) (iv) for already approved works.
2	Street light	-	16.88	Not allowed. Since the Commission has not approved capitalization of Street light.
3	Lighting mast at Switchyard	-	17.23	The additional expenditure for lightening mast for switchyard is allowed under Regulation 9(2)(iv) for security and successful operation of the generating station.

4	CCTV for PH (includes Double PCB Camera, Digital video recorder, Day & night dome camera, LCD TV)	25.00	25.19	Allowed under Regulation 9(2) (iv) for already approved works.
5	11 kV breaker (complete)for barrage sub-station (purchase of VCB)	27.00 [30.00-3.00]	9.45	Allowed under Regulation 9(2) (iv) for already approved works, against replacement of old asset. De-capitalization value of `1.88 lakh has been considered under assumed deletions for 2010-11
6	Digital voltage Regulator	13.00 (55.00-42.00)	5.25 (47.25-42.00)	Allowed under regulation 9(2) (iv) for already approved works, against replacement of old asset.
7	Computers & printers	5.00	2.79	Not allowed as the assets are of minor nature and are/which are not admissible in terms of proviso to Regulation 9(2)(iv)
Total Expenditure claimed			122.19	
Total Expenditure allowed				60.51

20. It is noticed that the de-capitalization value of `42.00 lakh as submitted in Petition No. 75/2010 neither form part of 'Deletions' nor part of 'Assumed deletions'. Accordingly, the asset, Digital voltage Regulator, has been considered as the de-capitalized asset which form part of capital base for the purpose of tariff.

Capital expenditure not allowed /projected earlier, but incurred and claimed due to actual site requirements

2009-10

(` in lakh)			
Sl.No.	Assets/works	Actual expenditure incurred/ claimed	Decision on admissibility
1	Submersible pumps (4 nos.)	7.02	Since, additional spare submersible pump has not been allowed by order dated 10.5.2011 in Petition No. 75/2010, the same has not been allowed under Regulation 9(2)(iv).
2	Welding Set 3-phase motor generator	2.59	Since, welding set has not been allowed by the Commission in order dated 10.5.2011 in Petition No. 75/2010 on the ground of the same being in the nature of

			"Tools and Tackles", the same has not been allowed under Regulation 9(2)(iv).
3	Submersible pump (3 nos.)	1.37	Since, additional/spare submersible pump has not been allowed by order dated 10.5.2011 in Petition No. 75/2010, the same has not been allowed
3	HS pump for lubrication system (3 nos.)	0.41	Not allowed as the asset is of minor nature and is not permissible after the cut-off date, in terms of proviso to the Regulation 9(2)(iv).
4	Solid state timer (2 nos.)	0.57	
6	Auto digital transfer turn ratio meter	1.82	Since Laboratory testing and meter testing equipment have not been allowed by the Commission by order dated 10.5.2011 in Petition No. 75/2010, the same has not been allowed .
7	Phase sequence meter, megger,	0.37	
8	Digital megger	1.85	
9	Media for MS Office pro plus (33 nos.)	3.83	Not allowed as the asset is of minor nature and not allowed after the cut-off date, in terms of proviso to the Regulation 9(2)(iv).
10	Media for MS Office pro plus (2 nos.)	0.03	
11	Capitalization of old disputed payment pertaining to construction period, in respect of Administration building, Transit Camp, Field Hostel & residential buildings	26.96	Allowed under Regulation 9(2) (i) as the expenditure is towards payments for settlement in terms of arbitration.
12	Barrage - capitalization of award amount of Sales tax	13.44	
Total Expenditure claimed		60.26	
Total Expenditure allowed			40.40

2010-11

(` in lakh)			
Sl.No.	Assets/works	Actual expenditure incurred/ claimed	Decision on admissibility
1	Heavy duty hydraulic power pack for jacking	1.35	Since Power pack for jacking has not been allowed by Commission's order dated 10.5.2011 in Petition No. 75/2010, the claim has not been allowed under Regulation 9(2)(iv).
2	Mech. type fire extinguishers	0.39	Not allowed as the asset is of minor nature and not permissible after the cut-off date, in terms of proviso to the Regulation 9(2)(iv).
3	ABC dry powder multipurpose type fire extinguisher cap	0.15	Not allowed as the asset is of minor nature and is not permissible after the cut-off date, in terms of proviso to the Regulation 9(2)(iv).
4	D.C.P. type fire extinguisher	0.45	Not allowed as the asset is of minor nature and not permissible after the cut-off date in terms of proviso to the Regulation 9(2)(iv).

5	Microprocessor based relay test kit with display machine	24.68	Microprocessor based relay test kit has not been allowed by Commission's order dated 10.5.2011 in Petition No. 75/2010. Hence, not allowed under Regulation 9(2)(iv).
6	Construction of PH building	25.70	Allowed under Regulation 9(2) (i) as the expenditure is towards settlement in terms of award of arbitration.
7	Addition in residential building-permanent	12.36	Allowed under Regulation 9(2) (i) as the expenditure is for payments made in terms of arbitration award.
8	Construction of barrage gate	3.32	Allowed under Regulation 9(2)(i) as the expenditure is towards payments made for settlement in terms of arbitration award.
9	Casting of tetra pods	5.59	Capitalization of these works for protection of afflux bund at barrage as suggested by the Dam safety team has been allowed under Regulation 9(2)(iv) for safe and successful operation of the generating station.
10	Tetra pods (plant cement concrete)	11.76	
11	Gates for tail race channel etc	1.70	Allowed under Regulation 9(2) (i) as the expenditure is towards settlement in terms of arbitration award.
12	Lightening arrestor leakage current analyzers with accessories	7.24	Lightening arrestor leakage current analyzer has not been allowed by Commission's order dated 10.5.2011 in Petition No. 75/2010 as it is in the nature of "Tools and Tackles". Hence, expenditure not allowed under Regulation 9(2)(iv).
13	Microprocessor motorized oil breakdown voltage test set	7.65	Microprocessor based BDV test kit has not been allowed by Commission's order dated 10.5.2011 in Petition No. 75/2010. Hence, not allowed under Regulation 9(2)(iv).
14	On line DC earth fault locator with accessories	5.36	DC earth fault locator has not been allowed by Commission's order dated 10.5.2011 in Petition No. 75/2010. Hence, not allowed under Regulation 9(2)(iv).
15	BEML motor BE 220 hydraulic excavator	45.76	Additional excavator was not allowed by Commission's order dated 10.5.2011 in Petition No. 75/2010. However, the petitioner in this petition has claimed the asset as replacement of the old asset. The old asset has been de-capitalized during 2008-09. Considering the necessity of the asset for maintenance of power channel / coffer dam etc and for construction of gabion structure for protection of embankment of power channel, the expenditure has been allowed under

			Regulation 9(2)(iv).
16	LAN extender (4 nos.)	0.82	Not allowed as the asset is of minor nature and is not permissible after the cut-off date, in terms of proviso to the Regulation 9(2)(iv).
Total Expenditure claimed		154.27	
Total Expenditure allowed			106.19

2011-12

(` in lakh)			
Sl.No	Assets/works	Actual expenditure incurred/ claimed	Decision on admissibility
1.	Tetra pods	45.58	Capitalization of these works for protection of power channel embankment and afflux bund at barrage as suggested by the Dam safety team has been allowed under Regulation 9(2)(iv) for safe and successful operation of the generating station.
2.	Power channels-Gobin structure and spur construction for protection of right bank (envisaged after floods)	218.55	Capitalization of these works for protection of right bank as suggested by the Dam safety team has been allowed under the Regulation 9(2)(iv) for safe and successful operation of the plant
3.	Power channel	6.00	Allowed under Regulation 9(2) (i) as the expenditure is towards payments for settlement in terms of award of arbitration.
4.	Electric operated 3 phase Siren	0.44	Not allowed as the asset is of minor nature and is not permissible after the cutoff date, in terms of proviso to the Regulation 9(2)(iv).
5.	Numerical relays	2.38	Numerical relays for generator transformer has not been allowed by the Commission in order dated 10.5.2011 in Petition No. 75/2010 as these were to be procured as spares. Hence, not allowed under Regulation 9(2)(iv).
6	Governor OLU pump, rotary gear type	0.33	Not allowed as the asset is of minor nature and not allowed after the cut- off date, in terms of proviso to the Regulation 9(2)(iv).
7	Drainage submersible pump	2.45	Drainage submersible pump has not been allowed by the Commission in order dated 10.5.2011 in Petition No. 75/2010. Hence, not allowed under the Regulation 9(2)(iv).
8	Capital spares-generating plant	6.29	Capitalization of capital spares has not been considered after the cut-off date. Hence, not allowed .
9	Dozer	173.56	Capitalization of dozer has been allowed under Regulation 9(2)(iv) for maintenance work. This dozer has been de-capitalized from the books of Dhauliganga hydro electric project of the petitioner, under IUT

			category.
10	Battery impedance test equipment with accessories	4.28	Not allowed under Regulation 9(2)(iv), as such type of laboratory equipment has not been allowed by the Commission in order dated 10.5.2011 in Petition No. 75/2010.
Total Expenditure claimed		459.88	
Total Expenditure allowed			443.69

Deletions

21. The petitioner has indicated the following amounts as year-wise de-capitalization of assets:

(` In lakh)

	2009-10	2010-11	2011-12
Deletions claimed	(-) 2.03	(-) 2.19	(-) 47.25

22. The de-capitalization of the following assets claimed either against replacement of old assets or without replacement for 2009-12 is examined for its admissibility as under:

(` In lakh)

Assets	De-capitalization claimed	Decision on admissibility
Welding set	(-) 1.74	De-capitalization of old welding set has not been allowed as the corresponding capitalization of new asset has not been approved by Commission order dated 10.5.2011 in Petition No. 75/2010.
Jeep	(-) 0.29	De-capitalization has been allowed .
Total claimed	(-) 2.03	
Total allowed		(-) 0.29

2010-11

(` In lakh)

Assets	De-capitalization claimed	Decision on admissibility
Ambulance	(-) 2.19	De-capitalization of ambulance has been allowed as the same is against purchase of new ambulance which has been allowed during 2010-11 in this order.
Total claimed	(-) 2.19	
Total allowed		(-) 2.19

2011-12

(` In lakh)

Assets	De-capitalization claimed	Decision on admissibility
Digital Automatic Voltage Regulator	(-) 47.25	De-capitalization of voltage Regulator has been allowed . The petitioner has submitted that the asset was purchased as capital spare during 2011-12 and consumed in the same year thereby causing zero net effect. The cost of

		capital spare on consumption has been transferred and recovered through O&M expenses.
Total claimed	(-) 47.25	
Total allowed		(-) 47.25

22. Accordingly, de-capitalization of the following amounts as affected in books of accounts has been allowed for the purpose of tariff as the corresponding assets do not render any useful service in the operation of the generating station.

(` in lakh)

	2009-10	2010-11	2011-12
Deletions allowed	(-) 0.29	(-) 2.19	(-) 47.25

Exclusions in additions (incurred, capitalized in books but not to be claimed for tariff purpose)

23. The petitioner has prayed that the following positive entries effected in books of accounts on account of replacement of minor assets, purchase of capital spares purchase of miscellaneous assets, assets transferred to surplus/obsolete head at notional value /WDV and Inter-unit transfer (in) of minor assets, may be excluded/ignored for the purpose of tariff:

(` in lakh)

	2009-10	2010-11	2011-12
Expenditure capitalized on procurement of minor assets, capital spares, Inter-unit Transfers (in) of minor assets and assets transferred to surplus/obsolete head etc.	9.36	40.52	86.96
Inter-unit transfers of minor asset	0.57	0.50	0.35
Total (capitalized in books but not claimed for tariff purpose)	9.92	41.02	87.31

24. The expenditure incurred on procurement/replacement of minor assets and procurement of capital spares is not allowed for the purpose of tariff after the cut-off date under the 2009 Tariff Regulations. Accordingly, the petitioner itself has considered these additions under exclusion category. The exclusion of positive entries arising due to transferred old un-serviceable assets (after de-capitalization of gross value) to surplus/obsolete head are not considered for the purpose of tariff. As such, the above exclusion of the positive entries are allowed for the purpose of tariff.

Exclusions in deletions (de-capitalized in books but not to be considered for tariff purpose)

25. The petitioner has prayed that following negative entries as effected in the books of accounts pertaining to de-capitalized minor assets such as computers, office equipment, furniture, fixed assets of minor value less than `5000 etc., consumption of capital spares, sale of minor assets, inter-unit transfers (out) of minor assets may be excluded/ignored for the purpose of tariff:

	(` In lakh)		
	2009-10	2010-11	2011-12
De-capitalization of minor assets including IUT (out) of minor assets, sale of un-serviceable assets	(-) 24.25	(-) 6.77	(-) 37.74
De-capitalization of capital spares/ assets procured as spares on consumption	(-) 4.01	(-) 19.41	(-) 45.84
Total Exclusions in deletions (de-capitalized in books but not to be considered for tariff purpose)	(-) 28.26	(-) 26.18	(-) 83.58

26. The petitioner has prayed that negative entries arising out of de-capitalization of minor assets may be excluded/ ignored for the purpose of tariff as the corresponding positive entries for purchase of minor assets are not being allowed for the purpose of tariff. The petitioner has also prayed that the de-capitalization of minor assets needs to be ignored in terms of Commission's order dated 7.9.2010 in Petition No.190/2009 wherein the Commission has observed as under:

“20. After careful consideration, we are of the view that the cost of minor assets originally included in the capital cost of the projects and replaced by new assets should not be reduced from the gross block, if the cost of the new assets is not considered on account of implication of the regulations. In other words, the value of the old assets would continue to form part of the gross block and at the same time the cost of new assets would not be taken into account. The generating station should not be debarred from servicing the capital originally deployed on account of procurement of minor assets, if the services of those assets are being rendered by similar assets which do not form part of the gross block.”

27. Accordingly, in line with the above order, negative entries arising out of de-capitalization of minor assets has been allowed to be excluded /ignored for the purpose of tariff. Further, negative entries arising out of sale of un-serviceable assets has also been ignored for the purpose of tariff in view of the fact that the whole treatment, after de-capitalization of the assets at gross value, i.e positive entries on transfer to obsolete head and negative entries due to sale of assets is not considered for the purpose of tariff.

28. On scrutiny of the negative entries it is observed that an amount of (-) `9.74 lakh against re-classified assets like cameras, video recorder, LCD T.V etc. has been claimed under exclusion where as corresponding positive entries have been clubbed with the claim of `25.19 lakh against CCTV camera allowed in the year 2011-12. As such, there is no capital expenditure against these reclassified assets in the year 2011-12. Having allowed the same in the additions, the exclusion/ignoring of negative entries has not been allowed to restore the position. In other words, the net impact on tariff will be 'nil'.

29. As regards the exclusion/ignoring of negative entries arising out of de-capitalization on consumption of capital spares/assets procured as spares, it is to mention that these entries can be excluded/ignored for the purpose of tariff, provided the de-capitalized spares/assets are the ones which are not in the capital base for the purpose of tariff i.e they were procured after the cut-off and disallowed for the purpose of tariff. The petitioner vide its affidavit dated 8.11.2013 has provided the details of the de-capitalized spares during 2009-12. It is observed that out of the exclusions claimed, only the following amounts qualify to be ignored/excluded for the purpose of tariff.

(` In lakh)

	2009-10	2010-11	2011-12
De-capitalization of capital spares/ assets procured as spares on consumption	(-) 4.01	(-) 4.60	(-) 42.92

30. In view of the above, the exclusions in deletions allowed are as under:

(` In lakh)

	2009-10	2010-11	2011-12
De-capitalization of minor assets including Inter-unit transfer (out) of minor assets, sale of un-serviceable assets (a)	(-) 24.25	(-) 6.77	(-) 28.00
De-capitalization of capital spares/ assets procured as spares on consumption (b)	(-) 4.01	(-) 4.60	(-) 42.92
Total Exclusions in deletions allowed (c) =(a)+(b)	(-) 28.26	(-) 11.37	(-) 70.92
Exclusions in deletions not allowed	0.00	(-) 14.81*	(-) 12.66**

* Towards de-capitalization of "Panels for 11 kV breaker for barrage" on consumption against capitalization of `14.81 lakh allowed in the year 2010-11 above. As such, the asset has been procured as capital spares and the effective capitalization in the year 2010-11 works out to 'Nil'.

** Includes exclusion in deletion of (-)`.9.74 lakh (reclassification of CCTV related cameras etc.) and (-)`2.92 lakh related to exclusion of capital spares/spare assets (submersible pumps)

Assumed deletions

31. As per consistent methodology adopted by the Commission, expenditure on replacement of assets, if found justified is allowed for the purpose of tariff provided that the capitalization of the said asset is followed by the de-capitalization of the value of the old asset. However, in certain cases where de-capitalization is proposed to be effected /affected during the future years to the year of capitalization of new asset, the de-capitalization of the old asset for the purpose of tariff is shifted to the very same year in which the capitalization of the new asset is allowed. Such de-capitalization which is not a book entry in the year of capitalization is termed as "Assumed deletion". The amounts considered by the petitioner under this head are as under:

	(` In lakh)		
	2009-10	2010-11	2011-12
Assumed deletions	0.61	10.56	1.72

32. The year-wise details of the assumed deletions are as follows:

(` In lakh)			
Assets	Additional capital expenditure claimed on actual basis	Assumed deletion claimed	Remarks
2009-10			
Fork lifters	11.79	0.61	Petitioner has submitted that disposal of old asset is under process. As the new asset has been allowed in 2009-10. De-capitalization has been considered in 2009-10.
2010-11			
11 KV Breaker for barrage S/S-panels for breaker	14.81	1.88	Petitioner has submitted that old asset i.e VCB will be disposed off for `1.88 lakh in 2012-13. However, in view of the fact that effective capitalization in the year for purchase of panels is 'Nil', the assumed deletion is shifted to the year 2011-12 against the capitalization of VCB amounting to `9.45 lakh.
Submersible pump	2.06	0.44	Petitioner has submitted that disposal of old asset is under process. Assumed deletion has been allowed
Tippers	21.43	5.28	Petitioner has submitted that disposal of old asset is under process. Assumed deletion has been allowed

Cooling water pump	6.92	2.50	Petitioner has submitted that disposal of old asset is under process. Assumed deletion has been allowed
Swing boom crane	71.35	0.46	Petitioner has submitted that disposal of old asset is under process. Assumed deletion has been allowed.
Sub-total		10.56	
Assumed deletions allowed			8.68
2011-12			
Digital photocopier	4.11	1.72	Petitioner has submitted that disposal of old asset is under process. However, in view of the fact that capitalization of the asset has not been allowed, assumed deletion has been ignored.
Sub-total		1.72	
Assumed deletions allowed			1.88

33. Accordingly, the following assumed deletions have been allowed for the purpose of tariff:

(` In lakh)

	2009-10	2010-11	2011-12
Assumed deletion allowed	(-) 0.61	(-) 8.68	(-) 1.88

Actual additional capital expenditure allowed during 2009-12

34. In view of above deliberations, the actual Additional Capital Expenditure for period 2009-12 allowed for the purpose of tariff is as under:

(` in lakh)

	2009-10	2010-11	2011-12
Additions allowed (a)			
Additions against works approved by Commission on projected basis	29.63	147.30	0.00
Capitalization against works allowed in previous years but actually incurred in subsequent years	0.00	230.59	60.51
Additions not projected earlier but incurred and claimed under Regulation 9(2)(iv)	40.40	106.19	443.69
Total (a)	70.03	484.08	504.20
Deletions allowed (b)	(-) 0.29	(-) 2.19	(-) 47.25
Net additions allowed (c)= (a)+(b)	69.74	481.89	456.95
Exclusions in deletions not allowed (d)	0.00	(-) 14.81	(-) 12.66
Net Additional capitalization allowed prior to assumed deletions & prior to adjustment of un-discharged liabilities/discharge of liabilities (e)=(c)+(d)	69.74	467.08	444.29
Add: Assumed deletions	(-) 0.61	(-) 8.68	(-) 1.88
Additional Capital Expenditure allowed prior to adjustment of un-discharged liabilities and discharge of liabilities	69.13	458.40	442.41

Un-discharged liabilities and discharge of liabilities

35. The petitioner has claimed following un-discharged liability/discharge of liability during the tariff period 2009-12, which has been considered.

(` in lakh)

	2009-10	2010-11	2011-12
Un-discharged liabilities included in additional capital expenditure for the period 2009-12	0.49	4.80	2.11
Liabilities discharged during the year related to un-discharged liabilities existed as on 31.3.2009	8.37	0.46	0.00
Liabilities discharged during the year for the additional capital expenditure for the period 2009-12	0.00	0.46	3.41

Additional Capital Expenditure during 2012-13 and 2013-14

36. The petitioner has revised the projected additional capital expenditure of `43.05 lakh for the year 2012-13 as allowed by the Commission vide order dated 10.5.2011 in Petition No. 75/2010 to `46.59 lakh by including discharge of liability of `3.54 lakh which has been considered. However, there is no change in the projected additional capital expenditure for 2013-14 allowed by the Commission.

Total Additional Capital Expenditure

37. The total expenditure allowed to be capitalized during the tariff period 2009-14 is summarized as under:

(` in lakh)

		2009-10	2010-11	2011-12	2012-13	2013-14
		ACTUAL			PROJECTED	
	Addition					
1	Addition against work approved by Commission	29.63	147.30	0.00	57.00	26.50
2	Capitalization against works allowed in previous year but actually incurred in subsequent years	0.00	230.59	60.51	0.00	0.00
3	Addition not projected earlier but incurred and claimed	40.40	106.19	443.69	0.00	0.00
4	Total Addition (1+2+3)	70.03	484.08	504.20	57.00	26.50
	Deletions					
5	Deletion allowed	0.29	2.19	47.25	13.95	3.08

6	Exclusion in deletion (not allowed)	0.00	14.81	12.66	0.00	0.00
7	Assumed Deletion	0.61	8.68	1.88	0.00	0.00
8	Total Deletion (5+6+7)	0.90	25.68	61.79	13.95	3.08
9	Total additional capital expenditure allowed before adjustment of discharge/un-discharge of liabilities (4-8)	69.13	458.40	442.41	43.05	23.42
10	Less: Un-discharged liabilities in the allowed additional capital expenditure	0.49	4.80	2.11	0.00	0.00
11	Add: Liabilities discharged during the year out of additional capital expenditure during 2009-12	0.00	0.46	3.41	3.54	0.00
12	Add: Liabilities discharged during the year (Related to un-discharged liabilities as on 31.3.2009)	8.37	0.46	0.00	0.00	0.00
13	Additional Capital Expenditure allowed (9-10+11+12)	77.01	454.51	443.71	46.59	23.42

Capital Cost

38. The capital cost allowed for the purpose of the annual fixed charges is as under:

	(` in lakh)				
	2009-10	2010-11	2011-12	2012-13	2013-14
Opening Capital Cost	39301.26	39378.27	39832.78	40276.49	40323.08
Additional Capital Expenditure	77.01	454.51	443.71	46.59	23.42
Closing Capital Cost	39378.27	39832.78	40276.49	40323.08	40346.50

Debt-Equity Ratio

39. Regulation 12 of the 2009 Tariff 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 utilized 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

modernization expenditure for life extension shall be serviced in the manner specified in clause (1) of this regulation.”

40. The petitioner has submitted that the additional capital expenditure has been financed through internal resources. In terms of the above said regulations, the debt-equity ratio of 70:30 has been considered on the additional capital expenditure allowed for the purpose of tariff

Return on Equity

41. Regulation 15 of the 2009 Tariff Regulations provides as under:

“15. **Return on Equity.** (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% for thermal generating stations, transmission system and run of the river generating station, and 16.5% for the storage type generating stations including pumped storage hydro generating stations and run of river generating station with pondage and shall 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 Minimum Alternate/Corporate Income Tax Rate for the year 2008-09, as per the Income Tax Act, 1961, as applicable to the concerned generating company or the transmission licensee, as the case may be.

(4) Rate of return on equity shall be rounded off to three decimal points and be computed as per the formula given below:

Rate of pre-tax return on equity = Base rate / (1-t)

Where “t” is the applicable tax rate in accordance with clause (3) of this regulation.

(5) The generating company or the transmission licensee, as the case may be, shall recover the shortfall or refund the excess Annual Fixed Charge on account of Return on Equity due to change in applicable Minimum Alternate/Corporate Income Tax Rate as per the Income Tax Act, 1961 (as amended from time to time) of the respective financial year directly without making any application before the Commission:

Provided further that Annual Fixed Charge with respect to the 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 in accordance with Regulation 6 of these regulations.

Illustration.-

(i) In case of the generating company or the transmission licensee paying Minimum Alternate Tax (MAT) @ 11.33% including surcharge and cess:

Rate of return on equity = $15.50 / (1 - 0.1133) = 17.481\%$

(ii) In case of generating company or the transmission licensee paying normal corporate tax @ 33.99% including surcharge and cess:

Rate of return on equity = $15.50 / (1 - 0.3399) = 23.481\%$ ”

42. The petitioner has claimed Rate of Return on Equity as follows:

	2009-10	2010-11	2011-12	2012-13	2013-14
	ACTUAL			PROJECTED	
Base Rate	15.5%	15.5%	15.5%	15.5%	15.5%
Applicable Tax Rate	33.990%	33.218%	32.445%	11.330%	11.330%
Tax Rate	30%	30%	30%	10%	10%
Surcharge	10%	7.50%	5%	10%	10%
Education cess	3%	3%	3%	3%	3%
Rate of ROE (pre-tax)	23.481%	23.210%	22.944%	17.481%	17.481%

43. Accordingly, the petitioner is entitled to Return on Equity as under:

	2009-10	2010-11	2011-12	2012-13	2013-14
	(` In lakh)				
Gross Notional Equity	9765.64	9788.75	9925.10	10058.21	10072.19
Addition due to Additional Capital Expenditure	23.10	136.35	133.11	13.98	7.03
Closing Equity	9788.75	9925.10	10058.21	10072.19	10079.22
Average Equity	9777.20	9856.92	9991.66	10065.20	10075.70
Return on Equity	2295.78	2287.79	2292.49	1759.50	1761.33

Interest on Loan

44. The normative loan in respect of the project has already been repaid. The normative loan on account of the admitted additional capital expenditure during the respective years of the entire tariff period have been considered as fully paid, as the admitted depreciation is more than the amount of normative loan in these years. As such, the Interest on loan during the period 2009-14 is 'Nil'

Depreciation

45. The date of commercial operation of the generating station is 1.4.1993. Since the generating station has completed 12 years of operation as on 1.4.2005, the remaining depreciable value has been spread over the balance useful life of the project for the period 2009-14. Assets amounting `0.90 lakh, `25.68 lakh, `61.79 lakh, `13.95 lakh and `3.08 lakh have been de-capitalized during the years 2009-10, 2010-11, 2011-12, 2012-13 and 2013-14 respectively. As per methodology adopted, the amount of cumulative depreciation allowed in tariff against those de-capitalized assets has been calculated on *pro rata* basis. Further, proportionate adjustment has been made to the cumulative

depreciation on account of de-capitalization of assets considered for the purpose of tariff. The petitioner's entitlement to depreciation has been worked out as under:

	(' In lakh)				
	2009-10	2010-11	2011-12	2012-13	2013-14
Gross Block as on 31.3.2009	39301.26	39378.27	39832.78	40276.49	40323.08
Additional capital expenditure during 2009-14	77.01	454.51	443.71	46.59	23.42
Closing gross block	39378.27	39832.78	40276.49	40323.08	40346.50
Average gross block	39339.76	39605.52	40054.64	40299.79	40334.79
Depreciable Value	35405.79	35644.97	36049.17	36269.81	36301.31
Balance Useful life of the asset	19.0	18.0	17.0	16.0	15.0
Remaining Depreciable Value	16886.23	16237.11	15752.33	15078.87	14175.60
Depreciation	888.75	902.06	926.61	942.43	945.04

O & M Expenses

46. The following O & M expenses considered in the order dated 9.8.2012 in R.P. 14/2011 have been considered for revision of tariff.

(' in lakh)				
2009-10	2010-11	2011-12	2012-13	2013-14
4631.41	4896.32	5176.39	5472.48	5785.51

Interest on Working Capital

47. The petitioner is entitled to claim interest on working capital as per Regulation 18 of the 2009 Tariff Regulations. The components of the working capital and the petitioner's entitlement to interest thereon are discussed hereunder.

(i) Receivables

As per Regulation 18(1) (c) (i) of the 2009 Tariff Regulations, receivables as a component of working capital are equivalent to two months' of fixed cost. In the tariff being allowed, receivables have been worked out on the basis of 2 months' fixed cost.

(ii) Maintenance spares

Regulation 18 (1) (c) (ii) of the 2009 Tariff Regulations provides for maintenance spares @ 15% per annum of the O & M expenses as part of the working capital. The value of maintenance spares has accordingly been worked out.

(iii) O & M expenses

Regulation 18(1) (c) (iii) of the 2009 Tariff Regulations provides for operation and maintenance expenses for one month to be included in the working capital. The petitioner has

claimed O&M expenses for 1 month of the respective year. This has been considered in the working capital.

(iv) Rate of interest on working capital

In accordance with clause (3) of Regulation 18 of the tariff regulations, as amended, 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 is declared under commercial operation, whichever is later. In the instant case, SBI PLR of 12.25% as on 1.4.2009 has been considered in for working out Interest on Working Capital.

48. Necessary computations in support of interest on working capital are appended hereunder:

(' in lakh)

	2009-10	2010-11	2011-12	2012-13	2013-14
Maintenance Spares	694.71	734.45	776.46	820.87	867.83
O & M Expenses	385.95	408.03	431.37	456.04	482.13
Receivables	1352.33	1399.60	1453.58	1417.41	1472.95
Total	2432.99	2542.07	2661.41	2694.32	2822.90
Rate of Interest	12.25%	12.25%	12.25%	12.25%	12.25%
Interest	298.04	311.40	326.02	330.05	345.81

Annual Fixed Charges

49. The Annual Fixed Charges approved for the generating station for 2009-14 are summarized as under:

(' in lakh)

	2009-10	2010-11	2011-12	2012-13	2013-14
Return on Equity	2295.78	2287.79	2292.49	1759.50	1761.33
Interest on Loan	0.00	0.00	0.00	0.00	0.00
Depreciation	888.75	902.06	926.61	942.43	945.04
Interest on Working Capital	298.04	311.40	326.02	330.05	345.81
O & M Expenses	4631.41	4896.32	5176.39	5472.48	5785.51
Total	8113.98	8397.58	8721.51	8504.46	8837.69

50. The recovery of the Annual Fixed Charges shall be subject to truing up in terms of Regulation 6 of the 2009 Tariff Regulations.

51. The difference between the Annual Fixed Charges already recovered by the petitioner and the annual fixed charges determined under this order shall be adjusted in terms of the clause (6) of Regulation 6 of the 2009 Tariff Regulations.

52. Petition No. 177/GT/2013 stands disposed of in terms of the above.

Sd/-
[A.K.Singhal]
Member

Sd/-
[M. Deena Dayalan]
Member

Sd
[Gireesh B.Pradhan]
Chairperson

