

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Petition No. 271/GT/2014

Coram:

**Shri A.S. Bakshi, Member
Dr. M. K. Iyer, Member**

Date of Hearing: 20.5.2016

Date of Order : 27.7.2016

In the matter of

Revision of tariff of Kahalgaon Super Thermal Power Station, Stage-I (840 MW) for the period from 1.4.2009 to 31.3.2014- Truing up of tariff determined by order dated 13.5.2014 in Petition No.135/2013 and order dated 29.12.2014 in R.P.No.18/2014

And in the matter of

NTPC Ltd
NTPC Bhawan,
Core-7, SCOPE Complex,
7, Institutional Area, Lodhi Road,
New Delhi-110003)

.....Petitioner

Vs

1. West Bengal State Electricity Distribution Company Limited
Vidyut Bhawan, Block-DJ,
Sector-II, Salt Lake City
Kolkata – 700 091

2. Bihar State Power Holding Company Limited
(erstwhile Bihar State Electricity Board)
Vidyut Bhawan, Bailey Road
Patna – 800 001

3. Jharkhand State Electricity Board,
Engineering Building,
HEC, Dhurwa, Ranchi – 834004

4. GRIDCO Limited
24, Janpath,
Bhubaneswar – 751007

5. Damodar Valley Corporation
DVC Towers, VIP Road
Kolkata-700054

6. Power Department
Govt. of Sikkim, Kazi Road,



Gangtok, Sikkim-737101

7. Union Territory of Pondicherry
Electricity Department
58, Subhash Chandra Bose Salai
Pondicherry – 605001

8. Tamil Nadu Generation and Distribution Corporation Limited
NPKRP Maaligail
800, Anna Salai
Chennai – 600002

9. Madhya Pradesh Power Trading Ltd.
Shakti Bhawan, Vidyut Nagar
Jabalpur – 482008

10. Maharashtra State Electricity Distribution Company Limited
'Prakashgard', Bandra(East)
Mumbai-400 051

11. Gujarat Urja Vikas Nigam Limited
Sardar Patel Vidyut Bhawan
Race Course, Baroda – 390007

12. Uttar Pradesh Power Corp. Limited
Shakti Bhawan
14, Ashok Marg
Lucknow – 226001

13. Power Development Department (J&K)
Govt. of J&K Secretariat,
Srinagar

14. Power Department
Union Territory of Chandigarh
Addl. Office Building
Sector-9D, Chandigarh

15. BSES Rajdhani Power Ltd.
BSES Bhawan, Nehru Place
New Delhi-110019

16. BSES Yamuna Power Ltd.
Shakti Kiran Bldg., Karkardooma
Delhi

17. Tata Power Delhi Distribution Co. Ltd.
NDPL House
Hudson Lane, Kingsway Camp
Delhi-110009

18. Electricity Department
Administration of Dadra and Nagar Haveli (DNH)
Silvassa, via VAPI



19. Electricity Department
Administration of Daman & Diu (DD)
Daman-396 210

...Respondents

Parties present:

For Petitioner: Shri Ajay Dua, NTPC
Shri T. Vinod Kumar, NTPC
Shri Bhupinder Kumar, NTPC
Shri Rajeev Chaudhary, NTPC

For Respondents: Shri Varun Shankar, Advocate, TPDDL
Shri Alok Shankar, Advocate, TPDDL
Shri S. Vallinayagam, Advocate, TANGEDCO
Shri Jayaprakash, TANGEDCO
Shri R.B. Sharma, Advocate, GRIDCO, BSPHCL, BRPL
Shri Manish Garg, UPPCL, BYPL
Shri Abhishek Srivastava, BYPL
Shri Kanishk Khetrapal, BRPL
Shri Nishant Grover, BYPL
Shri Sanjay Srivastava, BRPL
Shri S.R. Sarangi, GRIDCO
Shri Sukhjinder Singh

ORDER

This petition has been filed by the petitioner, NTPC for revision of the annual fixed charges in respect of Kahalgaon Super Thermal Power Station, Stage-I (840 MW) ('the generating station') for the period from 1.4.2009 to 31.3.2014 in terms of clause (1) of Regulation 6 of the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2009 ('the 2009 Tariff Regulations').

2. The generating station with a capacity of 840 MW comprises of four units of 210 MW each and the said units were declared under commercial operation on 1.1.1995, 1.4.1995, 1.2.1996 and 1.8.1996 respectively.

3. The Commission vide order dated 23.5.2012 in Petition No. 245/2009 had approved the tariff of the generating station for the period 2009-14 considering the opening capital cost of ₹203951.87 lakh as on 1.4.2009 (after removal of un-discharged liabilities of ₹188.25 lakh as on 1.4.2009). Aggrieved by the said order dated 23.5.2012, the petitioner filed review petition (RP. No. 19/2012)



and the same was allowed by order dated 3.5.2013 on the ground of “non-consideration of exclusion of de-capitalization corresponding to 10th Wagon in 2008-09” and accordingly the annual fixed charges of the generating station for 2009-14 were revised. Thereafter, in Petition No. 135/GT/2013, the Commission vide order dated 13.5.2014 revised the annual fixed charges of the generating station based on the actual additional capital expenditure incurred for the years 2009-10, 2010-11 and 2011-12 and projected additional capital expenditure for the years 2012-13 and 2013-14, based on the latest estimates and status of works. The annual fixed charges allowed in order dated 13.5.2014 are as under:

	(₹ in lakh)				
	2009-10	2010-11	2011-12	2012-13	2013-14
Depreciation	3789.14	3826.83	4169.68	4625.92	4918.71
Interest on Loan	38.22	0.00	11.42	8.73	0.00
Return on Equity	23867.01	23572.55	23523.11	23835.40	24026.85
Interest on Working Capital	5479.58	5524.34	5594.63	5655.71	5723.76
O&M Expenses	15288.00	16161.60	17085.60	18068.40	19101.60
Secondary fuel oil cost	1219.45	1219.45	1222.79	1219.45	1219.45
Compensation Allowance	126.00	210.00	252.00	294.00	294.00
Special allowance	0.00	0.00	0.00	0.00	0.00
Total	49807.40	50514.77	51859.24	53707.61	55284.37

4. Aggrieved by the said order dated 13.5.2014, the petitioner filed review petition (RP. No. 18/2014) and the same was allowed by order dated 29.12.2014. However, the Commission directed that the impact of the relief granted by the said order shall be considered at the time of truing-up of tariff of the generating station for 2009-14 in terms of Regulation 6 (1) of the 2009 Tariff Regulations.

5. 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 has sought the revision of the annual fixed charges based on the actual additional capital expenditure incurred for the years 2011-12, 2012-13 and 2013-14 in accordance with clause (1) of Regulation 6 of the 2009 Tariff Regulations. Accordingly, the capital cost and the annual fixed charges claimed by the petitioner for the said years are as under:

Capital Cost

	(₹ in lakh)		
	2011-12	2012-13	2013-14
Opening Capital Cost	203406.10	210836.87	214460.54
Add: Additional capital expenditure	7430.78	3623.67	3930.04
Closing Capital Cost	210836.87	214460.54	218390.58
Average Capital Cost	207121.48	212648.71	216425.56

Annual Fixed Charges

	(₹ in lakh)		
	2011-12	2012-13	2013-14
Depreciation	4213.27	4749.36	5126.31
Interest on Loan	24.17	16.60	0.00
Return on Equity	23558.29	23938.74	24765.07
Interest on Working Capital	5596.54	5660.60	5743.48
O&M Expenses	17085.60	18068.40	19101.60
Secondary fuel oil cost	1222.79	1219.45	1219.45
Compensation Allowance	252.00	294.00	294.00
Special allowance	0.00	0.00	0.00
Total	51952.65	53947.14	56249.90

7. In compliance with the directions of the Commission, the petitioner has filed additional information and has served copies on the respondents. The respondents UPPCL, BRPL, GRIDCO, and TANGEDCO have filed their replies and the petitioner has also filed its rejoinder to the said replies. We now proceed to examine the claim of the petitioner based on the submissions of the parties and the documents available on record, as discussed in the subsequent paragraphs.

Capital Cost

8. 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.”



9. The petitioner has claimed annual fixed charges for the years 2011-12, 2012-13 and 2013-14 based on the admitted opening capital cost of ₹203951.87 lakh, as on 1.4.2009 and ₹203406.09 lakh, as on 1.4.2011 in terms of the Commission's order dated 3.5.2013/13.5.2014 in RP/19/2012 and 135/GT/2013. There is no variation in the capital cost and liabilities position as on 1.4.2009. The un-discharged liabilities of ₹188.25 lakh as on 1.4.2009 pertain to the period 2004-09.

10. In terms of the last proviso to Regulation 7 of the 2009 Tariff Regulations, the capital cost as on 1.4.2009, after removal of un-discharged liabilities of ₹188.25 lakh, works out to ₹203951.87 lakh, on cash basis. Further, out of the un-discharged liabilities of ₹188.25 lakh deducted as on 1.4.2009, the petitioner has discharged amounts of ₹0.67 lakh, ₹9.62 lakh, and ₹30.11 lakh, during the years 2009-10, 2011-12 and 2012-13 respectively. The petitioner has also reversed amounts of ₹4.42 lakh during 2010-11. The discharges of liabilities along with the discharges corresponding to assets admitted on cash basis, during the period 2009-14 has been allowed as additional capital expenditure during the respective years.

Actual Additional Capital Expenditure

11. Clause (2) of Regulation 9 of the 2009 Tariff Regulations provides as under:

"9. (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.”

12. The break-up details of the actual/ projected additional capital expenditure allowed by Commission's order dated 13.5.2014 in Petition No. 135/GT/2013 for the period 2009-14 are as under:

S.N	Head of Works/ Equipment	2009-10	2010-11	2011-12	2012-13	2013-14	Total
		Actual			Projected		
A	Ash Handling System						
	Ash Dyke Raising work	203.80	867.07	30.69	1023.92	301.00	2426.49
	Pipe Line Pedestal in Ash Dyke	0.00	0.00	0.00	0.00	15.00	15.00
	Ash Slurry Series P/Ps (3 Nos.) 2 Sets	0.00	0.00	0.00	30.00	30.00	60.00
	Dredging in Ash Dyke overflow Lagoon/Ganga Make up P/H	0.00	0.00	0.00	0.00	0.00	0.00
	Tower Light in Ash Dyke & Ash Brick Plant	0.00	0.00	0.00	120.00	0.00	120.00
	Total- Ash Handling System (A)	203.80	867.07	30.69	1173.92	346.00	2621.49
B	Environmental System						
	Dry Ash System for Unit # 3 & 4 including Silo	0.00	0.00	0.00	0.00	0.00	0.00
	AAQMS	95.90	0.00	0.00	0.00	0.00	95.90
	Sub-Total- Environmental System	95.90	0.00	0.00	0.00	0.00	95.90



S.N	Head of Works/ Equipment	2009-10	2010-11	2011-12	2012-13	2013-14	Total
		Actual			Projected		
(B)							
C	Other Capital works						
	Wagon Tippler (M/s Elecon)	0.00	0.00	4703.57	1176.00	0.00	5879.57
	Locomotives (2 + 1 nos.)	0.00	0.00	2043.46	0.00	0.00	2043.46
	Augmentation of Railway Siding work	0.00	0.00	0.00	0.00	1690.00	1690.00
	S&T and in-motion Weigh bridge	0.00	0.00	0.00	15.00	10.00	25.00
	Total- Other Capital works (C)	0.00	0.00	6747.03	1191.00	1700.00	9638.03
D	De-capitalisation						
	De-capitalisation of Construction Equipments	(-) 445.89	(-)6.75	0.00	0.00	0.00	(-)452.64
	De-capitalisation of Vehicles	(-) 16.08	0.00	0.00	0.00	0.00	(-)16.08
	Sub-total (D)	(-) 461.97	(-)6.75	0.00	0.00	0.00	(-)468.72
1	Total (A+B+C+D)	(-) 162.27	860.32	6777.72	2364.92	2046.00	11886.70
E	New items						
i	Exclusion of de-capitalization of one wagon allowed in 2008-09	0.00	0.00	0.00	0.00	0.00	0.00
ii	Augmentation of security system (Concertina fencing)	0.00	0.00	0.00	0.00	0.00	0.00
iii	Enhanced land compensation payment as per court settlement	2.08	0.00	37.91	0.00	0.00	0.00
iv	Implementation of 5 KM Scheme	0.00	0.00	0.00	0.00	0.00	0.00
2	Sub Total (E)	2.08	0.00	37.91	0.00	0.00	0.00
3	Grand Total (1+2)	(-) 160.19	860.32	6815.63	2364.92	2046.00	11886.70
4	Exclusions not allowed	(-) 390.62	(-) 857.12	(-) 416.44	0.00	0.00	(-) 1664.18
H	Total additional capitalization allowed (3-4)	(-) 550.81	3.20	6399.19	2364.92	2046.00	10222.51
	Add: Discharges of liabilities	0.67	1.16	9.62	300.00	852.00	1163.45
	Total additional capital expenditure allowed	(-) 550.14	4.36	6408.81	2664.92	2898.00	11385.96

13. The petitioner has revised the actual additional capital expenditure for the period 2009-12 allowed in order dated 13.5.2014 in Petition No. 135/GT/2013. It is further observed that the petitioner has claimed additional capital expenditure during 2011-12 over and above that allowed in the order dated 13.5.2014. However, the annual fixed charges for the period 2009-12 was revised



based on actual additional capital expenditure for the years 2009-10, 2010-11 and 2011-12 vide order dated 13.5.2014, the actual additional capital expenditure incurred during the years 2012-13 and 2013-14 has only been considered in this order.

14. The break-up details of the actual additional capital expenditure claimed for the period 2012-14 are as under:

<i>(₹ in lakh)</i>					
S.No	Head of Work/ Equipment	Regulations	Actual Additional capital expenditure		Total claimed
			2012-13	2013-14	
A	Land Compensation	9 (2) (i)	286.23	61.09	385.23
B	Ash Handling System				
i	Ash Dyke Raising work	9 (2) (iii)	1346.57	218.29	1564.86
ii	Pipe Line Pedestal in Ash Dyke		61.36		61.36
iii	Ash Slurry Series P/Ps (3 Nos.) 2 Sets				
v	CISF Security Post in Ash Dyke				
vi	Dredging in Ash Dyke overflow Lagoon/Ganga Make up P/H				
vii	Tower Light in Ash Dyke & Ash Brick Plant		114.71		114.71
B	Total- Ash Handling System			1522.64	218.29
C	Wagon Tippler Package				
i	Wagon Tippler (M/s Elecon)	9 (2) (vii)	1170.57		1170.57
ii	Locomotives (2 + 1 nos.)				0.00
iii	Augmentation of Rly. Siding work			437.73	437.73
C	Total- Wagon Tippler Package		1170.57	437.73	1608.30
D	Other Items				
D1	3D Bunker Level Monitoring System	9(2)(vii) with Power to Relax (Regulation 44)		63.42	63.42
D2	Implementation of 5 km scheme	9(2)(ix)		3134.79	3134.79
D	Total Other Items		0.00	3198.21	3198.21
	Total Add-cap (A+B+C+D)		2979.44	3915.32	6932.67
E	De-capitalisation				
E1	De-capitalisation allowed in order dated 13.5.2014				



S.No	Head of Work/ Equipment	Regulations	Actual Additional capital expenditure		Total claimed
			2012-13	2013-14	
1	De-cap of Construction Equipments				0.00
2	De-cap of Vehicles				0.00
E2	Exclusions disallowed		0.00	0.00	0.00
1	De-cap of Capital Spares		0.00	0.00	0.00
2	De-cap of MBOA			0.00	0.00
3	Assets not owned by company				0.00
4	De-cap of Wagons		0.00		0.00
E3	De-capitalisation of Revenue items		0.00	(-) 8.04	(-) 8.04
E	Total De-capitalisation		0.00	(-) 8.04	(-) 8.04
	Additional capital expenditure		2979.44	3907.28	6886.72
	Add: Discharges of liabilities		644.23	22.76	666.99
	Additional capital expenditure		3623.67	3930.04	7553.71

15. The petitioner has claimed additional capital expenditure of ₹7553.71 lakh for the period 2012-14 as against the total estimated additional capital expenditure of ₹5562.92 lakh for 2012-14 allowed vide Commission's order dated 13.5.2014. Thus, there is an increase of ₹1990.78 lakh in the petitioner's claim for additional capitalization. This increase is mainly on account of new claims of ₹286.23 lakh and ₹61.09 lakh respectively during 2012-13 and 2013-14 towards Land compensation and ₹3134.79 lakh in 2013-14 towards Implementation of the scheme for creation of infrastructure for supply of power within the radius of 5 KM of the generating station. However, the expenditure claimed towards Augmentation of railway siding works has reduced to ₹437.73 lakh during 2013-14 from ₹1690.00 lakh approved vide order dated 13.5.2014. We now examine the claim of the petitioner and their admissibility, on prudence check, based on available records as stated in the subsequent paragraphs.

Land compensation-Regulation 9(2)(ii)

16. The petitioner has claimed actual additional capital expenditure of ₹347.32 lakh (₹286.23 lakh in 2012-13 and ₹61.09 lakh in 2013-14) towards Land compensation as per out of Court settlement with the land oustees. In justification of the same, the petitioner has submitted that various land



oustees had filed cases (around 1500) in various courts for payment of enhanced land compensation which are at different stages of hearing and part out of court settlements for 2009-12 have already been claimed and approved by the Commission vide order dated 13.5.2014 in Petition No. 135/GT/2013.

17. The respondent, BRPL in its reply affidavit dated 9.12.2014 has submitted that the petitioner's claim for ₹286.23 lakh in 2012-13 and ₹61.09 lakh in 2013-14 towards enhanced Land compensation under Regulation 9(2)(i) of the 2009 Tariff Regulations, as an out of court settlement has not been allowed by the Commission in order dated 13.5.2014. The respondent, TANGEDCO in its reply has submitted that the petitioner had not given any projection in Petition No. 135/GT/2013 towards Land compensation proposed to be incurred during 2012-14.

18. The matter has been examined. The Commission, in order dated 13.5.2014 had allowed the capitalisation of the expenditure of ₹39.99 lakh (₹2.08 lakh in 2009-10 and ₹27.91 lakh in 2011-12) incurred towards out of court settlement of enhanced land compensation. The petitioner in its rejoinder to the reply of TANGEDCO has clarified that in order to expedite the cases of enhanced land compensation filed by land oustees in various courts, the petitioner has been trying to discuss with the litigants and amicably settle some of these cases out of court. It has submitted that these are identical in nature to the earlier payments approved by the Commission in order dated 13.5.2014 for the period 2009-12. In view of the submissions of the petitioner and the documentary evidence furnished vide affidavit dated 15.7.2016, and since these payments are on account of out of court settlements made by the petitioner, we are inclined to allow the expenditure incurred on this count. Accordingly, we allow the actual additional capital expenditure of ₹347.32 lakh (₹286.23 lakh in 2012-13 and ₹61.09 lakh in 2013-14) under Regulation 9(2)(ii) of the 2009 Tariff Regulations.

Regulation 9(2)(iii)

Ash Handling System under Ash Dyke Raising

19. The petitioner has claimed total actual additional capital expenditure of ₹1564.86 lakh (₹1346.57 lakh during 2012-13 and ₹218.30 lakh during 2013-14) as against the total projected



additional capital expenditure of ₹1324.92 lakh (₹1023.92 lakh in 2012-13 and ₹301.00 lakh in 2013-14) allowed in order dated 13.5.2014 in Petition No. 135/GT/2013 for the said work of Ash Handling System under Ash Dyke Raising under Regulation 9(2)(iii) of the 2009 Tariff Regulations. Hence, there is increase of ₹239.94 lakh in the actual additional capital expenditure claimed during the period 2012-14 which works out to 18.11% (approx). In justification of the said claim, the petitioner vide affidavit dated 8.8.2014 has submitted as under:

“Ash handling/Ash dyke works as approved vide order dated 23.5.2012. Increase in actual expenditure is due to escalation factors as explained vide our affidavit dated 6.9.2013 in Petition No. 135/GT/2013.”

20. The respondents, BRPL & GRIDCO have submitted that petitioner's justification towards increase in expenditure is not valid and the petitioner had all the time to inform the Commission about the actual expenditure. The respondent, TANGEDCO has submitted that the petitioner has already given effect to the escalation factors in Petition No.135/GT/2013 and the present claim of the petitioner is nearly 100% excess than its original claim. It has further submitted that the petitioner has not furnished any evidence in support of its claim towards escalation in Ash dyke raising works. In response, the petitioner in its rejoinder dated 8.6.2016 has clarified that Ash Dyke raising works for ₹2427.00 lakh were allowed by the Commission in order dated 13.5.2014 for 2009-14, but the actual expenditure incurred was ₹2666.00 lakh. It has also submitted that the capitalization value of Ash Dyke raising works has increased by ₹239.00 lakh on account of considerable increase in the rates of sand, soil, labour, stone, diesel aggregate etc.

21. The matter has been examined. It is evident from the submissions of the petitioner that the additional capitalization projected earlier on these works was based on estimates considering the past awarded contracts for works of similar nature. It is further observed that the capitalization value of Ash dyke raising work has however increased on account of the escalation in price of sand and other construction materials apart from the escalation in material and labour cost. In the light of the above submissions and since the works relating to raising of ash dyke are normal activities done in phases depending upon the requirement with passage of time and as the said works forms part of



the original scope of work, we allow the actual additional capital expenditure of ₹1564.86 lakh incurred during the period 2012-14 under Regulation 9(2)(iii) of the 2009 Tariff Regulations.

Pipeline pedestal in Ash Dyke, Ash slurry series pumps

22. The petitioner has claimed actual additional capital expenditure of ₹61.36 lakh in 2012-13 as against the projected capital expenditure of ₹75.00 lakh (₹15.00 lakh for Pipe line pedestal and ₹60.00 lakh for Ash slurry series pumps) allowed towards Pipeline pedestal in Ash dyke and Ash slurry series pumps order dated 13.5.2014 for the period 2009-14. Thus, there is a reduction of ₹13.64 lakh in the actual additional capital expenditure incurred by the petitioner.

23. The respondent, TANGEDCO has submitted that the petitioner has not incurred the expenditure as approved vide order dated 13.5.2014 and thus the petitioner may be directed to refund the expenditure allowed earlier along with interest as applicable under 2009 Tariff Regulations. In response, the petitioner has submitted that the difference of tariff will be recovered/ refunded as per 2009 Tariff Regulations, at applicable interest rate to all beneficiaries after the issuance of order in this petition. However, the petitioner in its rejoinder dated 8.6.2016 has clarified that the actual additional expenditure of ₹61.36 lakh claimed in 2012-13 is towards 'Ash Slurry Pumps' and no amount has been claimed against the projected capitalization of Pipeline pedestal in Ash Dyke in 2013-14.

24. The matter has been examined. It is observed that the petitioner has not claimed any actual additional capital expenditure towards Pipe line pedestal in ash dyke as against the expenditure allowed in order dated 13.5.2014. The petitioner has incurred actual additional capital expenditure of ₹61.46 lakh in 2012-13 as against the projected additional capital expenditure of ₹60.00 lakh (Rs 30.00 lakh each for 2012-13 and 2013-1) allowed vide order dated 13.5.2014. In our view, since the variation in the actual additional capital expenditure incurred during 2012-14 as against those allowed in order dated 13.5.2014, is negligible, which is on account of the awarded value, the



actual additional capital expenditure of ₹61.46 lakh incurred in 2012-13 is allowed under Regulation 9(2)(iii) of the 2009 Tariff Regulations.

Installation of Tower Light in Ash Dyke

25. The petitioner has claimed actual additional capital expenditure of ₹114.71 lakh in 2012-13 as against the projected additional capital expenditure of ₹120.00 lakh allowed vide order dated 13.5.2014 in Petition No. 135/GT/2013. The petitioner has submitted that as against the original estimated cost of ₹120.00 lakh based on open tendering, the actual awarded value in August, 2011 was ₹147.66 lakh and the completed cost is ₹154.32 lakh out of which ₹39.61 lakh is on account of liabilities. Thus, the present claim for additional capital expenditure of ₹114.71 lakh is exclusive of un-discharged liabilities of ₹39.61 lakh.

26. The Commission in order dated 13.5.2014 in Petition No.135/GT/2013 had made following observations:

“We notice that the completed cost of the said work is higher by ₹34.00 lakh which is 28%(approx) higher from the projected expenditure and the same has not been explained by the petitioner in its affidavit dated 5.9.2013. In view of this, the capitalization of ₹120.00 lakh only has been considered during 2012-13. However, the petitioner is at liberty to claim the increased capital expenditure of ₹34.00 lakh towards installation of Tower light in Ash dyke and Ash brick plant with proper justification at the time of truing up.”

27. It is noticed that the completed cost of the said work is higher by ₹34.32 lakh which is 28% (approx) higher than the projected expenditure allowed in order dated 13.5.2014. The petitioner vide affidavit dated 17.6.2016 has clarified that the expenditure incurred on Tower light in Ash Dyke and Ash Brick plant was approved based on the estimated cost of cable, which is the main part of tower light and was considered as ₹365.00 per meter based on the earlier award in some other package on 26.5.2009, whereas the said work was awarded on 22.8.2011. It has also submitted that during the intervening period, the copper price had escalated almost two folds and therefore, the awarded price of cable escalated to ₹549.00 per meter and the total financial implication of cable price is ₹28.52 lakh excluding taxes and duties. It has further submitted that the minor increase in price of other items has also contributed to increase in total expenditure.



28. We have examined the matter. It is observed that the price of copper as estimated initially based on past records had escalated by almost two fold at the time of awarding the work. In view of the submissions of the petitioner, the actual additional capital expenditure of ₹114.71 lakh towards installation of Tower light in Ash dyke and Ash brick plant (out of the completion cost of ₹154.32 lakh) is justified. However, the balance amount of ₹39.61 lakh has been considered as un-discharged liabilities and the same shall be capitalised as and when discharged by the petitioner.

Wagon Tippler, Locomotives, Weigh Bridge & Augmentation of Railway siding etc.

29. The petitioner has claimed actual additional capital expenditure of ₹1170.57 lakh in 2012-13 towards the Installation of Wagon Tippler and additional capital expenditure of ₹437.73 lakh in 2013-14 for Augmentation of Railway Siding under Regulation 9(2)(viii) of the 2009 Tariff Regulations as against the projected additional capital expenditure of ₹1176.00 lakh allowed for Wagon Tippler in 2012-13 and ₹1690.00 lakh for Augmentation of Railway Siding in order dated 13.5.2014 in Petition No. 135/GT/2013. Further, the petitioner has claimed additional capital expenditure of ₹3065.42 lakh in 2011-12 towards the Procurement of locomotives (3 nos) as against the actual expenditure of ₹2043.46 lakh allowed in the order dated 13.5.2014. The petitioner has not claimed any additional capital expenditure towards Weigh Bridge against the projected capital expenditure of ₹25.00 lakh allowed during 2012-14 in the said order dated 13.5.2014.

30. The respondent, UPPCL has submitted that the cost of locomotive has increased from ₹2074.71 lakh to ₹3065.42 lakh in 2011-12, which depicts an increase of around 50% in 2 years. It has further submitted that locomotives are standardised products with well defined specifications and thus the increase in cost is not explicable. In justification of the actual additional capital expenditure, the petitioner vide affidavit dated 17.6.2016 has submitted that the investment decision of Wagon tippler and locomotive was taken in 2005 to mitigate the coal shortage problem and to receive coal from BOXN wagon. The petitioner has also submitted that the procurement of locos was envisaged to be linked to the commissioning of wagon tippler. It has further submitted that the wagon tippler was commissioned and capitalized in 2011-12 and was allowed by the Commission



vide order dated 13.5.2014 in Petition No. 135/2013. It has stated that the purchase order for procurement of 3 no. locomotives was issued on 29.8.2011 to M/s Diesel Locomotive Works, Varanasi for delivery coinciding with the commissioning of the Wagon Tippler and subsequently, an amount of ₹3065.42 lakh was capitalized in the year 2011-12 on account of the procurement of locomotives. Accordingly, the petitioner as pointed out that the increase in cost from ₹2074.71 lakh to ₹3065.42 lakh is mainly due to cost escalation over the intervening period over which the petitioner had no control as these prices are offered by M/s DLW, Varanasi. The petitioner has further submitted that out of the 3 locomotives, two locos were claimed in 2011-12 and allowed by the Commission vide order dated 13.5.2014 and due to exigency at Rihand STPS, the third locomotive was sent to Rihand STPS, but has not been claimed in Rihand STPS. The petitioner has stated that on receipt of the loco at Kahalgaon on return from Rihand STPS in 2012-13, the same has been capitalized and claimed in the books of accounts of Kahalgaon STPS. The petitioner has stated that during the same period, the similar types of locomotives were procured at approximately the same price at other generating stations of the petitioner like Rihand STPS, Simhadri STPS & Talcher STPS.

31. The respondents, BRPL & GRIDCO have submitted that the petitioner has been allowed an amount of ₹2043.00 lakh for three numbers of locomotives in Petition No. 135/GT/2013 as against the projected additional capital expenditure of ₹2074.71 lakh allowed in order dated 23.5.2012. They have also submitted that the claim of the petitioner is not only factually wrong but the petitioner has also not made any such claim in Petition No. 18/RP/2014 and the tariff already decided in order dated 13.5.2014 in Petition No. 135/GT/2013 cannot be revisited. The respondent, TANGEDCO has submitted the locomotive sent to Rihand STPS on urgent basis has been sent back to Kahalgaon in 2012-13 which would lead to reduction in the capital value of the locomotive due to wear and tear during its operation in Rihand STPS. It has further submitted that the additional capital expenditure claimed towards the third locomotive needs to be restricted to the original claim earlier excluded by



the Commission for ₹975.42 lakh and the same needs to be claimed only from the year of transfer from Rihand STPS i.e. 2012-13.

32. In its rejoinder dated 8.6.2016, the petitioner has submitted that three locomotives were approved by the Commission as a part of complete wagon tippler scheme approved vide order dated 23.5.2012. It has further submitted that the third locomotive ordered for the generating station was transferred to Rihand STPS directly on urgent basis in the fag end of 2011-12 and therefore was not claimed in Petition No.135/GT/2013. As regards claiming the same in Petition No. 18/RP/2014, the petitioner has stated that since the review petition was against the said order, the said claim could not be made in the review petition. The petitioner has submitted that the said locomotive has been transferred back to Kahalgaon STPS in 2012-13 and accordingly claimed in the present petition. It has further pointed out that the locomotive transferred from Barh Station is a different locomotive and was kept under exclusion from capitalization and in consideration of this, exclusion of locomotive in 2011-12 on account of inter unit transfer was allowed by the Commission. The petitioner has stated that these two locomotives were procured at different stations at different time periods.

33. As regards Railway sliding works, the respondent, TANGEDCO & UPPCL have submitted that the petitioner needs to submit the details of percentage of sliding work completed along with the balance works to be executed in future. It has also submitted that in the absence of the details, the Commission may reject the said claim. In response, the petitioner has clarified that an amount of ₹1690.00 lakh was approved towards Augmentation of railway siding work under the Wagon tippler scheme by order dated 13.5.2014. It has also submitted that a part of the track modification was taken up in 2009-14 and an expenditure of ₹437.00 lakh has been claimed for capitalization in this petition. The petitioner has further submitted that the balance work of Railway siding is to be executed by Indian Railways on deposit work basis and has been projected to be capitalised during the period 2014-19.



34. We have examined the matter. The Commission by order dated 23.5.2012 in Petition No. 245/2009 had allowed the estimated additional capital expenditure of Rs 2074.71 lakh during 2010-12 claimed towards (3 nos. Locomotive) as the same was needed for faster transportation of coal. The relevant portion of the order is extracted as under:

“31. The submissions of the parties have been examined. It is noticed that substantial quantity of coal was being received through the railway system supplied in Box-N wagons. From the submissions made by the petitioner in Petition No.189/2010 (as referred to in the tabular statement in Table-I under paragraph 7(b) of the order dated 25.4.2012), it is evident that this generating station was in operation with a Target Availability of 91-92% (approx) during the period 2005-06 to 2007-08 even without Wagon Tippler. However, considering the fact that installation of Wagon tippler would bring about reduction in unloading time of coal rakes and shall give flexibility in overall movement of rakes which would reduce the apprehension of diversion of wagons by the railways, the claim of the petitioner is justified. Also, if the petitioner is unable to arrange coal for generation up to the specified NAPAF of 85%, it would not be able to recover the full fixed charges which include the cost of Wagon tippler. This, according to us, would adequately take care of the concerns raised by the respondent beneficiaries. Moreover, the utilities are resorting to blending of imported coal taking into account the overall shortage of coal in the country. Considering the above factors in totality, we allow the expenditure claimed by the petitioner for Wagon Tippler and its associated works, under Regulation 9 (2) (vii) of the 2009 Tariff Regulations...”

35. It is observed that the petitioner had claimed ₹2043.46 lakh in Petition No.135/GT/2013 against the approved expenditure of ₹2074.71 lakh. The actual expenditure claim being less than the approved expenditure, the Commission had allowed the entire expenditure of ₹2043.46 lakh towards locomotive (3 nos.). Since, the true-up of the period 2009-10 to 2011-12 has been completed and final order issued on 13.5.2014 and 29.12.2014 in Petition No. 135/GT/2013 and 18/RP/2014 respectively, we are of the considered view that the additional expenditure of ₹1021.96 lakh claimed towards the 3rd locomotive cannot be permitted to be capitalised during the year 2011-12. In this regards, it is noticed that the petitioner vide affidavit dated 28.2.2014 in Petition No. 135/GT/2013, has submitted as under:

“6 . It is submitted that the 3rd locomotive under the above scheme at Kahalgaon STPS Stage I was ordered by the petitioner with delivery expected in 2011-12 , but due to urgency at Rihand STPS Stage-II, it was sent directly to Rihand STPS towards the end of 2011-12. Since the said locomotive was physically not received at Kahalgaon STPS Stage I, as per the accounting policy the same could not be capitalized at Kahalgaon STPS Stage I and reflected in the true up Petition No. 135/GT/2013 as filed in respect of Kahalgaon STPS Stage I on 31.8.2012. But since the said locomotive was transferred to Rihand - II, the corresponding entry for Inter unit transfer from Kahalgaon STPS Stage I has been indicated in financial year 2011-12 under exclusion in the true up Petition filed for Rihand STPS Stage II (Docket No. 310/GT/2013 filed vide affidavit dtd.



25.11.2013) at Page no. 97 of the said petition inadvertently mentioning Barh in place of Kahalgaon Stage I. The copy of relevant extract is enclosed as Annexure-A.

7 . Subsequently, after receiving the locomotives against the purchase order by Rihand STPS Stage II in 2012-13, the above mentioned locomotive was transferred back to Kahalgaon-1 by Rihand-II. The corresponding capitalization of these new locomotives received by Rihand-II in 2012-13 and the inter unit transfer of the above mentioned locomotive to Kahalgaon-1 under exclusion have been indicated by Rihand STPS Stage II in above mentioned Petition (Docket No. 310/GT/2013) in the year 2012-13 at Page no.s 101 & 102 respectively. The copy of relevant extracts is enclosed as Annexure-B.

8 . It is submitted that since the pleadings in Kahalgaon STPS Stage I true up petition No. 135/GT/2013 (in Petition No. 245/2009) have been completed and the order is reserved, the petitioner may be given liberty for taking up the capitalization of the above said locomotive approved by Hon'ble Commission in Petition No. 245/2009 in the year 2011-12 for kind consideration by the Hon'ble Commission at the time of final true up of Kahalgaon STPS Stage I so that the expenditure incurred on account of capitalisation of locomotive in the original station is serviced through tariff in the year 2011-12 based on the principal as is being followed consistently by the Hon'ble Commission in the Inter unit transfers.”

36. It is therefore evident that the 3rd locomotive has been capitalised by the petitioner in the books of account of the generating station during the year 2012-13. As regards cost of the 3 locomotives, it is observed that comparable costs have been approved in other generating station of the petitioner, namely, Rihand Super Thermal Power Station, Stage-II. However, considering the fact that the 3rd locomotive has been put to use at the generating station only from 2012-13. The beneficiaries of the generating station cannot be burdened with the actual cost of the locomotive when the same has been actually put to use after a period of one year. In this background, we are inclined to consider the capital cost of this locomotive net of one year depreciation for usage at the Rihand STSP-II generating station as ₹973.40 lakh (₹1021.96 lakh-₹48.56 lakh) and allow the capitalization of the same in the year 2012-13. The petitioner is granted the liberty to claim the cost for use of the locomotive for one year at the Rihand STPS-II as the same will be dealt with, in accordance with law/Regulations.

37. As regards the actual additional expenditure of ₹1170.57 lakh incurred for Wagon tippler in 2012-13, we notice that the claim of petitioner is lesser than the projected additional capital expenditure approved vide order dated 13.5.2014. Accordingly, the same is allowed under Regulation 9(2)(vii) of the 2009 Tariff Regulations. As stated, the petitioner has submitted that the



actual additional capital expenditure of ₹437.73 lakh claimed in 2013-14 is in respect of a part of the track modification work which was taken up during 2009-14. Since the actual expenditure incurred is in respect of part capitalisation of the railway siding works associated with Wagon Tippler, we allow the actual additional capital expenditure of ₹437.73 lakh under Regulation 9(2)(vii) of the 2009 Tariff Regulations. As regards the claim for balance works for railway siding which are expected to be completed by the Indian Railways on deposit work basis during 2014-19, the same will be considered in terms of the 2014 Tariff Regulations based on the justification submitted by the petitioner.

Implementation of Scheme for supply of Electricity within 5 km radius

38. The petitioner has claimed actual additional capital expenditure of ₹3134.79 lakh towards implementation of the scheme for creating infrastructure for reliable supply of electricity within the 5 km area of the generating station under Regulation 9(2)(ix) of the 2009 Tariff Regulations.

39. The Commission in order dated 29.12.2014 in Petition No. 18/RP/2014 had observed as under:

“9.....Accordingly, in terms of the submissions of the petitioner, we direct that the additional capital expenditure on 5 km scheme shall be admissible to the petitioner. However, the actual expenditure incurred on this scheme for 2013-14 would be considered at the time of final truing-up of tariff of the generating station for the period 2009-14 in terms of Regulation 6 of the 2009 Tariff Regulations.”

40. In line with the observations of the Commission in the said order dated 29.12.2014, the claim of the petitioner has been considered. The scheme for supply of electricity within 5 km radius around Central Power Plants was withdrawn vide Ministry of Power, Government of India notification dated 25.3.2013. It is noticed that the Ministry of Power, GOI by letter dated 8.3.2014 had granted exemption in respect of 8 ongoing projects around the generating stations of the petitioner, including this generating station, under the erstwhile scheme and has conveyed the approval for capitalization of expenditure for this generating station also as per provisions of the said scheme, subject to orders of this Commission. Similar claim of the petitioner was considered by the Commission in



Petition No. 315/GT/2014 (revision of tariff of Singrauli STPS (2000 MW) for 2009-14] and It is observed that the Commission vide order dated 21.12.2015 had allowed the said claim observing as under:

“23. We are of the considered view that since the petitioner has incurred the expenditure for creation of the infrastructure, the same should be allowed. However, instead of servicing the same as part of the capital cost, we are of the view that the said expenditure should be reimbursed by the beneficiaries in proportion to their share, in the remaining three years of the tariff period 2014-19, in equal monthly installments beginning from April, 2016, along with regular bills, with the weighted average rate of interest on loan applicable for the relevant years as indicated in the table under para 54 of this order. The reimbursement directed as above is in relaxation of Regulation 9 (2) (ix) of the 2009 Tariff Regulations and shall not be cited as precedent in future”

41. In line with the above decision of the Commission and since the expenditure has been incurred by the petitioner for creation of the infrastructure and has been the taken over by the discom (Southern Bihar Power Distribution Company Limited), we are of the view that instead of servicing the same as part of the capital cost, the said expenditure of ₹3134.79 lakh in 2013-14 should be reimbursed by the beneficiaries in proportion to their share, in the remaining three years of the tariff period 2014-19, in equal monthly instalments beginning from August, 2016, along with regular bills, with the weighted average rate of interest on loan applicable for the relevant years as indicated in the table under para 58 of this order. The reimbursement directed as above is in relaxation of Regulation 9 (2) (ix) of the 2009 Tariff Regulations and shall not be cited as precedent in future.

De-capitalization of revenue items

42. The petitioner has de-capitalized an amount of (-) ₹8.04 lakh towards revenue items from books of accounts during 2013-14 on the ground that these are on account of miscellaneous items which are not in use. As these assets are no more in use, the de-capitalization of these amounts on the said items has been allowed.



New item

3D Bunker level monitoring system

43. The petitioner has claimed additional capital expenditure of ₹63.42 lakh in 2013-14 towards Installation of 3D bunker level monitoring system under Regulation 9(2)(vii) read with Power to relax under Regulation 44 of the 2009 Tariff Regulations. The petitioner has submitted that that over the time, due to nature of coal supply at Kahalgaon and use of imported coal, the need for proper blending was required. It has also submitted that since the blending is done at the bunker itself, a need was felt to mount 3D Bunker level indicators at the bunkers. The petitioner has further submitted that this was required for improved reliability of plant and blending in a proper manner for safe operation of the boiler necessitated due to shortfall in coal supply from linked mines, which had to be supplemented with imported coal. Accordingly, the petitioner, in view of the essential requirement of the same for safe boiler operation, has prayed that the expenditure may be allowed under Regulation 9(2)(vii) read with Power to relax under Regulation 44 of the 2009 Tariff Regulations.

43. The respondents, BRPL and GRIDCO have submitted that the claim is not covered under Regulation 9(2) and accordingly the provisions of Regulation 44 of the 2009 Tariff Regulations have been invoked. It has also submitted that the exercise of 'Powers to Relax' by the Commission under Regulation 44 ultimately results in additional benefits to the petitioner. Accordingly, the respondents have prayed that the petitioner's claim may not be allowed.

44. We have considered the matter. The petitioner has claimed actual additional capital expenditure of ₹63.42 lakh in 2013-14 towards the Installation of 3D bunker level monitoring system under Regulation 9(2)(vii) read with Regulation 44 (Power to relax) of the 2009 Tariff Regulations on the ground that the need of 3D bunker level monitoring system was realised after initial experience of blending at the generating station and that blending was required due to shortfall in coal from the linked mines, which had to be supplemented with the imported coal. We are not convinced with the



submissions of the petitioner. The COD of the generating station is 1.8.1996 and there is no reason for the petitioner to incur the expenditure in the fag end of the tariff period 2009-14. Moreover, the capitalisation of this item is not on account of modification in the fuel receipt system. Thus, we find no reason to exercise the Power to relax under Regulation 44 for allowing this expenditure. Even otherwise, the generating station is allowed compensatory allowance and the expenditure incurred under this head can be met from the compensatory allowance allowed to the generating station. Accordingly, the claim for additional capital expenditure of ₹63.42 lakh in 2013-14 is rejected.

45. The reconciliation of the actual additional capital expenditure for the period 2012-14 with books of accounts as submitted by the petitioner is as under:

		(₹ in lakh)	
		2012-13	2013-14
a1	Opening balance	762738.90	797232.90
a2	Less: Assets held for disposal	25.45	0.00
A	Opening balance of the period for Kahalgaon Station as on 1.4.2012	762713.45	797232.90
B	Closing balance of the period for Kahalgaon Station	797232.90	813491.32
C	Additional capitalisation as per audited accounts (b -a)	34519.45	16258.42
d1	Less additional capitalisation pertaining to Stage- II	31394.35	12048.54
	Remaining Additional capitalisation for Stage- I (c -d1-d2-d3)	3125.10	4209.89
I	Add/de-cap claimed as per form-9	3623.67	3930.04
li	Less discharge of past liability claimed	644.23	22.76
lii	Add cap/ de-cap claimed on cash basis (i-ii) for stage -i	2979.44	3907.28
lv	Add un-discharged liabilities in add cap claimed	314.47	13.43
A	Total add cap/de-cap claimed gross basis (iii+iv)	3293.91	3920.71
	Exclusion items		
	Capitalisation of spares	886.28	708.96
	De-capitalisation of spares	(-) 117.63	(-) 323.02
	De-capitalisation of MBOA items	0.00	(-) 1.16
	Inter unit transfer	(-) 888.73	0.00
	De-capitalisation of wagons	(-) 44.34	0.00
	Loan ERV	2.58	1.18
	Liability reversal	(-) 6.98	(-) 96.79
B	Total exclusions	(-) 168.82	289.17
	Additional Capital Expenditure (A+B)	3125.10	4209.89

Exclusions

46. It is noticed from the above that the actual additional capital expenditure claimed by the petitioner is at variance with the additional capital expenditure as per books of accounts. This is on



account of exclusion of certain expenditure and un-discharged liabilities for the purpose of tariff. The summary of exclusions claimed as per books of accounts is examined as under:

	(₹ in lakh)	
	2012-13	2013-14
Capitalisation of spares	886.28	708.96
De-capitalisation of spares	(-) 117.63	(-) 323.02
De-capitalisation of MBOA items	0.00	(-) 1.16
Inter unit transfer	(-) 888.73	0.00
De-capitalisation of wagons	(-) 44.34	0.00
Loan ERV	2.58	1.18
Liability reversal	(-) 6.98	(-) 96.79
Total exclusions	(-) 168.82	289.18

Capitalization of Capital Spares

47. The petitioner has procured spares amounting to ₹886.28 lakh in 2012-13 and ₹708.96 lakh in 2013-14 for maintaining stock of necessary spares. Since capitalization of spares over and above initial spares procured after the cut-off date are not allowed for the purpose of tariff as they form part of the O&M expenses, the aforesaid claim for exclusion is in order and is allowed.

De- capitalization of Capital Spares*

48. The petitioner has de-capitalized in books of accounts capital spares amounting to (-) ₹117.63 lakh in 2012-13 and (-) ₹323.02 lakh in 2013-14 on account of consumption of these spares. The exclusion sought on de-capitalization of spares has been examined and it is noticed that out of (-) ₹117.63 lakh in 2012-13, spares amounting to ₹116.53 lakh forms part of the capital cost of the generating station and spares amounting to ₹1.09 lakh do not form part of capital cost of the generating station. Further, out of (-) ₹323.02 lakh in 2013-14 spares amounting to ₹267.67 lakh forms part of the capital cost and spares amounting to ₹55.34 lakh do not form part of capital cost. Hence, exclusion of de-capitalization of assets amounting to ₹1.09 lakh in 2012-13 and ₹55.34 lakh in 2013-14 which do not form part of capital cost is in order is allowed.

De-capitalization of MBOA items

49. The petitioner has de-capitalized MBOA items in books of accounts amounting to (-) ₹1.15 lakh in 2013-14. The exclusions sought on de-capitalization of MBOA has been examined and it is noticed that MBOA amounting to (-) ₹1.15 lakh in 2013-14 forms part of the capital cost. Hence,



exclusion of decapitalization of assets amounting to ₹1.15 lakh in 2013-14 which forms part of capital cost is not in order and is not allowed.

Inter-Unit Transfers

50. An amount of (-) ₹888.73 lakh in the year 2012-13 has been excluded under this head on account of transfer of Crane and locomotive to Barh and locomotive from Rihand ((-) ₹13.54 lakh towards crane transfer to Barh, ₹1021.96 lakh towards locomotive transfer from Rihand and (-) ₹1897.13 lakh towards locomotive transfer to Barh). The inter-unit transfer of locomotive from Rihand and to Barh is temporary in nature. In respect of transfer of crane to Barh, it has not been indicated as to whether this inter-unit transfer is temporary or permanent. However, the petitioner has excluded the same from capitalization. In consideration of this, exclusion of (-) ₹13.54 lakh during 2012-13 on account of inter-unit transfer of crane has been allowed. In respect of the inter unit transfers of temporary nature, the Commission while dealing with applications for additional capitalization in respect of other generating stations of the petitioner, had decided that both positive and negative entries arising out of such transfers shall be ignored for the purpose of tariff. In consideration of the same, the exclusions of the amount of (-) ₹1897.13 lakh towards locomotive transfer to Barh in the year 2012-13 is in order and has been allowed.

51. As regards the transfer of locomotive from Rihand STPS , the petitioner has submitted that the third locomotive ordered for Kahalgaon was transferred to Rihand directly on urgent basis in 2011-12 and therefore was not claimed by the petitioner in the mid-term true-up petition. The petitioner has submitted that the said locomotive has been transferred back to Kahalgaon in 2012-13 and thus has been claimed in this petition in 2011-12 as it was procured in this year. Since, the capital expenditure towards 3rd locomotive has been allowed during 2012-13 after taking into account the depreciation for one year (i.e. in 2011-12), the inter-unit transfer of locomotive from Rihand for ₹48.56 lakh (₹1021.96-₹973.40 lakh), towards locomotive transfer from Rihand STPS, has been allowed under exclusion in 2013-14.



De-capitalization of wagons

52. The petitioner has excluded amounts for (-) ₹44.34 lakh in 2012-13 on account of de-capitalization of un-serviceable wagons on the ground that replacement capital spares have not been allowed after cut-off date. However, it has been the consistent stand of the Commission that the de-capitalized value of old wagons which formed part of capital base and had become un-serviceable and not rendering any useful service to the generating station have been taken out of the capital cost of the generating station, while determining tariff. The amount of ₹44.34 lakh here pertains to Wagons which form part of the capital cost. Hence, the exclusion for ₹44.34 lakh in 2012-13 towards Wagons which form part of capital cost is not in order and is not allowed.

Loan ERV

53. The petitioner has excluded an amount of ₹2.58 lakh in 2012-13 and ₹1.18 lakh in 2013-14 on account of impact of FERV. As the petitioner bills FERV directly to the beneficiaries, the exclusion of FERV is in order and has been allowed.

Reversal of liability

54. The petitioner has sought the exclusion amounting to ₹6.98 lakh in 2012-13 and ₹96.79 lakh in 2013-14. The net additional capitalization during 2012-13 and 2013-14 is "nil" against reversal of liability. In view of the submission of the petitioner that tariff is on cash basis, the reversal of liability is allowed.

Assets not owned by the Company

55. The Commission had disallowed the exclusion to the tune of (-) ₹99.83 lakh claimed during 2010-11 towards assets not owned by the company, in the order dated 13.5.2014 in Petition No. 135/GT/2013. Aggrieved by the said order dated 13.5.2014, the petitioner filed review petition (RP. No. 18/2014). The Commission observation in the order dated 29.12.2014 in RP No. 18/2014 is as below:

"14. It is seen from the above that the petitioner in the affidavit dated 22.11.2012 had explained the reason for taking out the assets from gross block in order to meet accounting requirements. This information was inadvertently not considered by the Commission at the time of passing the order



dated 15.5.2014, and the Commission disallowed the expenditure on the ground that the assets are not in use. The petitioner has in this petition reiterated that the exclusion of these assets from the gross block was not on account of its unserviceability as these assets are rendering useful service but due to the change in accounting policy consequent to the opinion of the Expert Advisory Committee of the Institution of Chartered Accountant of India. We are of the view that the non-consideration of the submissions of the petitioner while passing the order dated 15.5.2014 constitute an error apparent on the face of the record. Accordingly, review of the order dated 15.5.2014 on this ground is allowed. The expenditure on such assets not owned by the petitioner has been incurred for facilitating the completion of the project and therefore such assets form part of the capital cost. Accordingly, the exclusion of (-) ₹99.83 lakh towards de-capitalization of these assets under "assets not owned by the company" is allowed. It is however clarified that since the tariff period of 2009-14 is over, the impact on account of the exclusion of the said amount shall be considered at the time of truing-up of tariff of the generating station in terms of Regulation 6 of the 2009 Tariff Regulations."

56. Thus, the exclusion of (-) ₹99.83 lakh during 2010-11 towards assets not owned by the company was allowed by order dated 29.12.2014 in RP No. 18/2014. Accordingly, the exclusion of (-) ₹99.83 lakh during 2010-11 towards assets not owned by the company is allowed.

57. Based on the above, the summary of exclusions allowed and disallowed for the period 2012-14 is as under:

(₹ in lakh)		
	2012-13	2013-14
Exclusion claimed	(-) 168.82	289.18
Exclusion allowed	(-) 7.96	558.00
Exclusion not allowed	(-) 160.86	(-) 268.82

58. Accordingly, the actual additional capital expenditure allowed for the period 2012-14 is summarised as under:

(₹ in lakh)				
S. N	Head of Work/ Equipment	Actual Additional capital expenditure		Total allowed
		2012-13	2013-14	
A	Land Compensation	286.23	61.09	347.32
B	Ash Handling System			
i	Ash Dyke Raising work	1346.57	218.29	1564.86
ii	Pipe Line Pedestal in Ash Dyke	0.00	0.00	0.00
iii	Ash Slurry Series P/Ps (3 Nos.) 2 Sets	61.36	0.00	61.36
iv	Tower Light in Ash Dyke & Ash Brick Plant	114.71	0.00	114.71
B	Total- Ash Handling System	1522.64	218.29	1740.93



S. N	Head of Work/ Equipment	Actual Additional capital expenditure		Total allowed
		2012-13	2013-14	
C	Wagon Tippler Package			
I	Wagon Tippler (M/s Elecon)	1170.57	0.00	1170.57
ii	Locomotives (2 + 1 nos.)	973.40	0.00	973.40
iii	Augmentation of Rly. Siding work	0.00	437.73	437.73
C	Total- Wagon Tippler Package	2143.96	437.73	2581.69
D	Other Items			
D1	3D Bunker Level Monitoring System	0.00	0.00	0.00
D2	Implementation of 5 km scheme	0.00	0.00	0.00
D	Total Other Items	0.00	0.00	0.00
	Total Add-cap (A+B+C+D)	3952.83	717.11	4669.94
E	Exclusions disallowed			
E1	De-capitalisation			
1	De-cap of Capital Spares	(-) 116.53	(-) 267.67	(-) 384.20
2	De-cap of MBOA	0.00	(-) 1.15	(-) 1.15
3	De-cap of Wagons	(-) 44.33	0.00	(-) 44.33
	De-cap of Revenue items	0.00	(-) 8.04	(-) 8.04
	Total De-cap	(-) 160.86	(-) 276.86	(-) 437.72
E2	Inter unit Transfer	48.56	0.00	48.56
E	Exclusions Disallowed	(-) 112.30	(-) 268.82	(-) 381.12

59. Considering the discharges of liabilities during the period 2012-14, the net additional capital expenditure allowed is as under:

	(₹ in lakh)	
	2012-13	2013-14
Admitted additional capital expenditure allowed	3743.41	440.24
Add: Discharges of liabilities	644.23	22.76
Total additional capital expenditure allowed	4387.64	463.00

60. Accordingly, the capital cost considered for the purpose of tariff for the period 2009-14 is as under:

	(₹ in lakh)				
	2009-10	2010-11	2011-12	2012-13	2013-14
Opening Capital Cost	203951.87	203401.73	203505.92	209914.73	214302.38
Add: Additional capital expenditure	(-) 550.14	104.19*	6408.82	4387.64	463.00
Closing Capital Cost	203401.73	203505.92	209914.73	214302.38	214765.38
Average Capital Cost	203676.80	203453.82	206710.33	212108.56	214533.88

*exclusion of (-) `99.83 lakh allowed



Debt-Equity Ratio

61. The gross loan and equity of ₹102357.20 lakh and ₹101782.92 lakh respectively as allowed in order dated 13.5.2014 in Petition No. 135/GT/2013 has been considered as gross loan and equity as on 1.4.2009. However, un-discharged liabilities amounting to ₹188.25 lakh is deducted from the capital cost as on 1.4.2009 and has been adjusted to debt and equity in the ratio of 70:30 for the works capitalised during the period 2004-09. As such, the gross normative loan and equity as on 1.4.2009 is revised to ₹102225.43 lakh and ₹101726.44 lakh respectively. Further, the admitted additional expenditure has been allocated in the debt and equity ratio of 70:30.

Return on Equity

62. The petitioner has considered pre tax ROE of 22.944% for 2012-13 and 23.481% for 2013-14. The respondent, BRPL has submitted that the petitioner may be directed to furnish the actual tax rate paid against the generating station duly audited and certified by auditors as per requirements of Regulation 6(3) of the Tariff Regulations, 2009. In response, the petitioner submitted that RoE claim of petitioner is strictly as per Regulation 15(3) of the 2009 Tariff Regulations. In view of the fact that pre-tax ROE works out to 23.481%, considering the actual tax rate for 2013-14, the same has been considered. Accordingly, return on equity is worked out as under:

(₹ in lakh)

	2009-10	2010-11	2011-12	2012-13	2013-14
Notional Equity- Opening	101726.45	101561.40	101592.66	103515.31	104831.60
Addition of Equity due to additional capital expenditure	(-) 165.04	31.26	1922.64	1316.29	138.90
Normative Equity-Closing	101561.40	101592.66	103515.31	104831.60	104970.50
Average Normative Equity	101643.92	101577.03	102553.98	104173.45	104901.05
Return on Equity (Base Rate)	15.500	15.500	15.500	15.500	15.500
Tax Rate for the year	33.990	33.218	32.445	32.445	33.990
Rate of Return on Equity (Pre Tax)	23.481	23.210	22.944	22.944	23.481
Return on Equity(Pre Tax) annualised	23867.01	23576.03	23529.99	23901.56	24631.81



Interest on loan

63. Interest on loan has been worked out as under:

- (a) Gross normative loan amounting to ₹102225.43 lakh has been considered as on 1.4.2009.
- (b) Cumulative repayment amounting to ₹100982.70 lakh as on 31.3.2009 as considered in order dated 13.5.2014 in Petition No. 135/GT/2013 and dated 29.12.2014 in Petition No. 18/RP/2014 has been considered as cumulative repayment as on 1.4.2009. The net normative opening loan as on 1.4.2009 works out to ₹1242.72 lakh. Apart from above, addition of loan on account of admitted additional capital expenditure has been considered.
- (c) Depreciation allowed has been considered as repayment of normative loan during the respective year of the tariff period 2009-14. Further, proportionate adjustment has been made to the repayments corresponding to discharges of liabilities considered during the respective years on account of cumulative repayment adjusted as on 1.4.2009.

64. The necessary calculations for interest on loan are given as under:

	(₹ in lakh)				
	2009-10	2010-11	2011-12	2012-13	2013-14
Gross opening loan	102225.43	101840.33	101913.26	106399.43	109470.78
Cumulative repayment of loan up to previous year	100982.70	101840.33	101913.26	105799.53	109470.78
Net Loan Opening	1242.72	0.00	0.00	599.90	0.00
Addition due to additional capital expenditure	(-) 385.10	72.93	4486.17	3071.35	324.10
Repayment of loan during the year	1454.03	605.11	4171.56	3731.74	517.90
Less: Repayment adjustment on account of de-capitalization	596.81	534.83	291.51	78.61	193.80
Add: Repayment adjustment on account of discharges corresponding to un-discharged liabilities deducted as on 1.4.2009	0.40	2.66	5.79	18.11	0.00
Net Repayment	857.62	72.93	3885.84	3671.25	324.10
Net Loan Closing	0.00	0.00	600.33	0.00	0.00
Average Loan	621.36	0.00	300.17	299.95	0.00
Weighted Average Rate of Interest of loan*	6.152	5.142	3.794	2.606	2.340
Interest on Loan	38.22	0.00	11.39	7.82	0.00

(* Summary of computation of Weighted average rate of interest on loan is given in Annexure 1)



Depreciation

65. The cumulative depreciation as on 31.3.2009 as per order dated 13.5.2014 in Petition No. 135/GT/2013 works out to ₹133234.49 lakh. The value of freehold land considered in order dated 13.5.2014 in Petition No. 135/GT/2013 is ₹2944.10 lakh (inclusive of liabilities of freehold land amounting to ₹144.13 lakh) and subsequent discharges/reversal and the same has been considered for the purpose of calculating the depreciable value. The cumulative depreciation has been adjusted for de-capitalization, if any, considered during the period 2009-14. Necessary calculations in support of depreciation are as under:

	(₹ in lakh)				
	2009-10	2010-11	2011-12	2012-13	2013-14
Opening Capital Cost	203951.87	203401.73	203505.92	209914.74	214302.38
Add: Additional Capital Expenditure	(-) 550.14	104.19	6408.82	4387.64	463.00
Closing Capital Cost	203401.73	203505.92	209914.74	214302.38	214765.38
Average Capital Cost	203676.80	203453.83	206710.33	212108.56	214533.88
Rate of Depreciation	12.55	11.55	10.55	9.55	8.55
Depreciable value (excluding land) @ 90%	180788.21	180586.60	183496.06	188204.28	190230.77
Balance depreciable Value	47553.72	44244.80	44009.96	44846.09	42263.25
Depreciation (annualized)	3789.14	3830.72	4171.56	4695.93	4943.07
Cumulative depreciation at the end	133234.49	136341.80	139486.10	143358.18	147967.52
Less: Cumulative Depreciation adjustment on account of un-discharged liabilities	0.44	0.00	0.00	19.94	0.00
Less: Cumulative Depreciation reduction due to de-capitalization	682.27	686.42	295.34	106.52	202.57
Cumulative depreciation (at the end of the period)	136341.80	139486.10	143362.32	147967.52	152708.02

O&M Expenses

66. O&M expenses as considered in order dated 13.5.2014 in Petition No. 135/GT/2013 has been allowed as under:

(₹ in lakh)				
2009-10	2010-11	2011-12	2012-13	2013-14
15288.00	16161.60	17085.60	18068.40	19101.60



Interest on Working Capital

67. Regulation 18(1)(a) of the 2009 Tariff Regulations provides that the working capital for coal based generating stations shall cover:

(i) Cost of coal for 1.5 months for pit-head generating stations and two months for non-pithead generating stations, for generation corresponding to the normative annual plant availability factor;

(ii) Cost of secondary fuel oil for two months for generation corresponding to the normative annual plant availability factor, and in case of use of more than one liquid fuel oil, cost of fuel oil stock for the main secondary fuel oil;

(iii) Maintenance spares @ 20% of operation and maintenance expenses specified in regulation 19.

(iv) Receivables equivalent to two months of capacity charge and energy charge for sale of electricity calculated on normative plant availability factor; and

(v) O&M expenses for one month.

68. Clause (3) of Regulation 18 of the 2009 Tariff Regulations, as amended on 21.6.2011 provides as under:

"Rate of interest on working capital shall be on normative basis and shall be considered as follows:

(i) SBI short-term Prime Lending Rate as on 01.04.2009 or on 1st April of the year in which the generating station or unit thereof or the transmission system, as the case may be, is declared under commercial operation, whichever is later, for the unit or station whose date of commercial operation falls on or before 30.06.2010.

(ii) SBI Base Rate plus 350 basis points as on 01.07.2010 or as 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, for the units or station whose date of commercial operation lies between the period 01.07.2010 to 31.03.2014.

Provided that in cases where tariff has already been determined on the date of issue of this notification, the above provisions shall be given effect to at the time of truing up.

Fuel Component in working capital

69. Fuel component in the working capital as considered in order dated 13.5.2014 in Petition No. 135/GT/2013 has been considered as under:

	(₹ in lakh)				
	2009-10	2010-11	2011-12	2012-13	2013-14
Cost of Coal – 1-1/2 months	13669.37	13669.37	13706.82	13669.37	13669.37
Cost of secondary fuel oil – two months	203.24	203.24	203.80	203.24	203.24



Maintenance spares

70. Maintenance spares as allowed in order dated 13.5.2014 as stated below, has been considered.

(₹ in lakh)

2009-10	2010-11	2011-12	2012-13	2013-14
3057.60	3232.32	3417.12	3613.68	3820.32

Receivables

71. Receivables have been worked out on the basis of two months of fixed and energy charges as under:

(₹ in lakh)

	2009-10	2010-11	2011-12	2012-13	2013-14
Variable Charges (two months)	18225.83	18225.83	18275.77	18225.83	18225.83
Fixed Charges (two months)	8301.23	8420.38	8644.69	8974.28	9321.14
Total	26527.07	26646.21	26920.46	27200.11	27546.97

O&M Expenses

72. O&M expenses for 1 month as allowed in order dated 13.5.2014 is allowed as under:

(₹ in lakh)

2009-10	2010-11	2011-12	2012-13	2013-14
1274.00	1346.80	1423.80	1505.70	1591.80

73. SBI PLR of 12.25% has been considered in the computation of the interest on working capital. Necessary computations in support of calculation of interest on working capital are as under:

(₹ in lakh)

	2009-10	2010-11	2011-12	2012-13	2013-14
Coal Stock- 1-1/2 months	13669.37	13669.37	13706.82	13669.37	13669.37
Oil stock-2 months	203.24	203.24	203.80	203.24	203.24
O&M expenses - 1 month	1274.00	1346.80	1423.80	1505.70	1591.80
Spares	3057.60	3232.32	3417.12	3613.68	3820.32
Receivables- 2 months	26527.07	26646.21	26920.46	27200.11	27546.97
Total Working Capital	44731.28	45097.95	45672.00	46192.11	46831.70
Rate of Interest	12.25	12.25	12.25	12.25	12.25
Total Interest on working capital	5479.58	5524.50	5594.82	5658.53	5736.88



Compensation Allowance

74. The Compensation allowance as allowed vide order dated 13.5.2014 in remain unchanged.

Annual Fixed Charges

75. Accordingly, the annual fixed charges allowed for the period 2009-14 are summarized as under:

	<i>(₹ in lakh)</i>				
	2009-10	2010-11	2011-12	2012-13	2013-14
Depreciation	3789.14	3830.72	4171.56	4695.93	4943.07
Interest on Loan	38.22	0.00	11.39	7.82	0.00
Return on Equity	23867.01	23576.03	23529.99	23901.56	24631.81
Interest on Working Capital	5479.58	5524.50	5594.82	5658.53	5736.88
O&M Expenses	15288.00	16161.60	17085.60	18068.40	19101.60
Cost of Secondary fuel oil	1219.45	1219.45	1222.79	1219.45	1219.45
Compensation Allowance	126.00	210.00	252.00	294.00	294.00
Total	49807.40	50522.29	51868.14	53845.68	55926.82

76. The difference in the annual fixed charges determined by order dated 13.5.2014 and those determined by this order shall be adjusted in accordance with Regulation 6 (6) of the 2009 Tariff Regulations.

77. Petition No. 271/GT/2014 is disposed of in terms of the above.

Sd/-
(Dr. M.K.Iyer)
Member

Sd/-
(A. S. Bakshi)
Member



DETAILS OF LOAN BASED ON ACTUAL LOAN PORTFOLIO (2009-14)

(₹ in lakh)

Particulars	Interest Rate					Net Loan as on 1.4.2009	Additions	Repayme nts	Total
	2009-10	2010-11	2011-12	2012-13	2013-14				
UNITED BANK OF INDIA	7.3560	7.3560	7.3560	7.3560	7.3560	71.43	0.00	71.43	0.00
UCO Bank	7.4000	7.4000	7.4000	7.4000	7.4000	28.57	0.00	28.57	0.00
SBI-1	11.2719	11.1500	11.1500	0.0000	0.0000	42.86	0.00	42.86	0.00
Loan-1 IBRD Main	3.2594	2.7080	2.8440	2.6055	2.3400	103.94	0.00	103.94	0.00
Total						246.80	0.00	246.80	0.00

WEIGHTED AVERAGE RATE OF INTEREST ON LOAN DURING 2009-14 TARIFF PERIOD

(₹ in lakh)

Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
Gross loan - Opening	450.00	450.00	450.00	450.00	450.00
Cumulative repayments of Loans upto previous year	307.14	371.43	435.72	450.00	450.00
Net loan - Opening	246.80	164.20	80.21	44.74	21.95
Increase/ Decrease due to FERV	0.00	0.00	0.00	0.00	0.00
Increase/ Decrease due to ACE	82.60	83.99	35.47	22.79	21.95
Total	164.20	80.21	44.74	21.95	0.00
Less: Repayment (s) of Loans during the year	205.50	122.21	62.48	33.35	10.98
Net loan - Closing	6.1516%	5.1416%	3.7936%	2.6055%	2.3400%
Average Net Loan	12.64	6.28	2.37	0.87	0.26
Rate of Interest on Loan	450.00	450.00	450.00	450.00	450.00
Interest on loan	307.14	371.43	435.72	450.00	450.00

