

**CENTRAL ELECTRICITY REGULATORY COMMISSION  
NEW DELHI**

**Petition No. 219/GT/2014**

**Coram:**

**Shri Gireesh B. Pradhan, Chairperson**

**Shri A.K. Singhal, Member**

**Dr. M.K. Iyer, Member**

**Date of Hearing: 19.04.2016**

**Date of Order: 08.08.2016**

**In the matter of**

Revision of tariff of Ramagundam Super Thermal Power Station Stage-III (500 MW) for the period from 1.4.2009 to 31.3.2014 - Truing up of tariff determined by order dated 4.2.2014 in Petition No. 137/GT/2013.

**And**

**In the matter of**

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

....**Petitioner**

Vs

1. APPCC (Commercial),  
Vidyut Soudha, Khairatabad, Hyderabad-500082
2. Andhra Pradesh Eastern Power Distribution Company Ltd.  
Corporate Office, P&T Colony, Seethammadhara,  
Visakhapatnam -530013 (AP)
3. Andhra Pradesh Southern Power Distribution Company Ltd.  
Corporate Office, Backside Srinivasa Kalyana Mandapam  
Tiruchhanur Road, Kesavayana Gunta,  
Tirupathi-517503 (AP)
4. Andhra Pradesh Northern Power Distribution Company Ltd,  
H.No. 2-5-31/2, Vidyut Bhavan,  
Nakkalagutta, Hanamkonda,  
Warangal-506 001(AP)
5. Andhra Pradesh Central Power Distribution Company Ltd,  
Mint Compound Corporate Office,  
Hyderabad (AP) – 500063



6. Tamil Nadu Generation & Distribution Corporation Ltd  
144, Anna Salai  
Chennai-600002

7. Power Company of Karnataka Ltd.(PCKL)  
Kaveri Bhawan, K.G. Road  
Bangalore-560009

8. Bangalore Electricity Supply Company Ltd.  
Krishna Rajendra Circle  
Bangalore-560009

9. Mangalore Electricity Supply Company Ltd.  
Paradigm plaza, A.B. Shetty Circle  
Mangalore-575001

10. Chamundeshwari Electricity Supply Corp. Ltd.  
Corporate office, 927, L.J. Avenue,  
New Kantharajours Road, Saraswati Puram  
Mysore-570009

11. Gulbarga Electricity Supply Company Ltd.  
Main road, Gulbarga, Karnataka,  
Gulbarga-585102

12. Hubli Electricity Supply Company Ltd,  
Corporate Office, P.B.Road,  
Navanagar,  
Hubli – 580025

13. Kerala State Electricity Board,  
Vaidyuthi Bhavanam, Pattom  
Thiruvananthapuram- 695004

14. Electricity Department,  
Govt. of Puducherry,  
137, NSC Bose Salai,  
Puducherry-605001

....Respondents

**Parties Present:**

**For Petitioner:** Shri Ajay Dua, NTPC  
Shri Nishant Gupta, NTPC  
Shri Bhupinder Kumar, NTPC  
Shri Rajeev Choudhary, NTPC  
Shri V.K.Garg, NTPC  
Shri Rohit Chhabra, NTPC

**For Respondent:** Shri S.Vallinayagam, Advocate, TANGEDCO



## ORDER

This petition has been filed by the petitioner, NTPC, for revision of tariff of Ramagundam Super Thermal Power Station, Stage-III (500 MW) (hereinafter referred to as “the generating station”) for the period from 1.4.2009 to 31.3.2014 after truing up exercise in terms of Regulation 6 (1) of the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2009 (hereinafter referred to as “the 2009 Tariff Regulations”).

2. The Commission in order dated 7.5.2012 in Petition No. 256/2009 had determined the tariff of the generating station considering the capital cost of ₹156151.12 lakh (after removing un-discharged liabilities amounting to ₹2164.58 lakh) as on 1.4.2009. Thereafter, by order dated 4.2.2014 in Petition No.137/GT/2013, the Commission had revised the tariff of the generating station after truing up exercise based on actual additional capital expenditures incurred for the years 2009-10, 2010-11, 2011-12 and projected capital expenditure for the years 2012-13 and 2013-14. The capital cost and the annual fixed charges for the period 2009-14 allowed by order dated 4.2.2014 is as under:

### Capital Cost

	(₹ in lakh)				
	2009-10	2010-11	2011-12	2012-13	2013-14
Opening Capital Cost	156151.12	156351.50	156446.42	156974.05	156974.05
Add: Additional capital expenditure	200.38	94.92	527.63	0.00	0.00
<b>Closing Capital Cost</b>	<b>156351.50</b>	<b>156446.42</b>	<b>156974.05</b>	<b>156974.05</b>	<b>156974.05</b>
<b>Average Capital Cost</b>	<b>156251.31</b>	<b>156398.96</b>	<b>156710.24</b>	<b>156974.05</b>	<b>156974.05</b>

### Annual Fixed Charges

	(₹ in lakh)				
	2009-10	2010-11	2011-12	2012-13	2013-14
Depreciation	8246.10	8257.87	8285.43	8309.53	8309.53
Interest on Loan	5152.41	4541.95	4162.98	3528.30	2879.92
Return on Equity	11006.81	10890.06	10786.68	10804.84	10804.84
Interest on Working Capital	2485.09	2491.00	2508.16	2514.76	2526.00
O&M Expenses	6500.00	6870.00	7265.00	7680.00	8120.00
Cost of Secondary Fuel Oil	761.89	761.89	763.98	761.89	761.89
<b>Total</b>	<b>34152.29</b>	<b>33812.77</b>	<b>33772.23</b>	<b>33599.32</b>	<b>33402.18</b>

3. The petitioner presently seeks revision of the annual fixed charges based on the actual additional capital expenditure incurred for the period 2009-14 based on the latest estimates and the status of work in accordance with clause (1) of Regulation 6 of the 2009 Tariff Regulations.



4. 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."*

5. The annual fixed charges and capital cost claimed by the petitioner in this petition are as under:

**Capital Cost**

	(₹ in lakh)				
	2009-10	2010-11	2011-12	2012-13	2013-14
Opening Capital Cost	156151.12	156354.08	156449.00	157026.86	157026.86
Add: Additional capital expenditure	202.96	94.92	577.86	0.00	62.54
<b>Closing Capital Cost</b>	<b>156354.08</b>	<b>156449.00</b>	<b>157026.86</b>	<b>157026.86</b>	<b>157089.40</b>
<b>Average Capital Cost</b>	<b>156252.60</b>	<b>156401.54</b>	<b>156737.93</b>	<b>157026.86</b>	<b>157058.13</b>

**Annual Fixed Charges**

	(₹ in lakh)				
	2009-10	2010-11	2011-12	2012-13	2013-14
Depreciation	8246.17	8258.00	8286.89	8312.33	8311.69
Interest on Loan	5152.52	4542.22	4164.63	3506.55	2860.22
Return on Equity	11006.90	10890.24	10788.59	10808.47	11063.65
Interest on Working Capital	2485.10	2491.01	2508.27	2514.44	2531.03
O&M Expenses	6500.00	6870.00	7265.00	7680.00	8120.00
Cost of Secondary Fuel Oil	761.89	761.89	763.98	761.89	761.89
<b>Total</b>	<b>34152.58</b>	<b>33813.37</b>	<b>33777.35</b>	<b>33583.67</b>	<b>33648.48</b>

6. This petition was clubbed and heard with Petition No. 268/GT/2014 filed by the petitioner for determination of tariff of the generating station for the period 2014-19 on 19.4.2016 and the Commission after directing the petitioner to file certain additional information, reserved its order in the said petitions. In compliance with the directions, the petitioner has filed additional information with copy to the respondents. The respondents, TANGEDCO and KSEB have filed their replies in the matter. We now proceed to revise the annual fixed charges of this generating station as claimed in this petition after truing-up exercise based on the documents available on record as stated in the subsequent paragraphs. The annual fixed charges claimed in Petition No. 268/GT/2014 in respect of this generating station for the period 2014-19 shall however be determined by a separate order.



## 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 petitioner has claimed the closing capital cost as ₹156354.08 lakh for 2009-10, ₹157024.80 lakh for 2011-12 as against the closing cost of ₹156351.50 lakh for 2009-10 and ₹156974.05 lakh in 2011-12 admitted by Commission's order dated 4.2.2014 in Petition No. 137/GT/2013. The difference in the closing capital cost in 2009-10 and 2011-12 after truing-up is on account of the fact that the petitioner has included the de-capitalization amount of ₹2.58 lakh, corresponding to adjustments to cumulative depreciation as well as repayment of loan in the admitted capital cost for 2009-10. Similarly in the year 2011-12, the petitioner has added ₹50.23 lakh in the admitted capital cost for 2011-12, which was de-capitalized by the Commission in the order dated 4.2.2014. The de-capitalization of ₹2.58 lakh in 2009-10 and ₹50.23 lakh in 2011-12 has been considered in the relevant paragraph of this order. The capital cost as on 1.4.2009 admitted by the Commission vide order dated 4.2.2014 in Petition No.137/GT/2013 is ₹156151.12 lakh (after removing un-discharged liabilities amounting to ₹2164.58 lakh as on 1.4.2009). This has been claimed as opening capital cost as on 1.4.2009 by the petitioner. Accordingly, the opening capital cost of ₹156151.12 lakh as on 1.4.2009 has been considered for the purpose of revision of tariff.

## Actual Additional Capital Expenditure during 2009-14

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;*

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

*(v) Change in law:*

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

*(2) The capital expenditure incurred 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 break-up details of the actual/ projected additional capital expenditure allowed by Commission in order dated 4.2.2014 in Petition No. 137/GT/2013 for the period 2009-14 are as under:

Package Name	Actual			Projected		Total
	2009-10	2010-11	2011-12	2012-13	2013-14	
Ash Pond Raising works	10.94	13.33	547.08	0.00	0.00	<b>571.35</b>
Ash Silo-2 Fabrication & Erection work	16.89	0.00	0.00	0.00	0.00	<b>16.89</b>
CCTV	106.31	0.00	9.09	0.00	0.00	<b>115.40</b>
Gadget for Plant Security	67.09	58.45	1.79	0.00	0.00	<b>127.33</b>
Off- site Civil Work	15.12	0.00	0.00	0.00	0.00	<b>15.12</b>
<b>Additional capital expenditure allowed</b>	<b>216.35</b>	<b>71.78</b>	<b>557.96</b>	<b>0.00</b>	<b>0.00</b>	<b>846.09</b>
De-Capitalization	(-) 64.31	(-) 38.59	(-) 89.32	0.00	0.00	<b>(-) 192.22</b>
Discharge of liability	48.34	61.73	58.99	0.00	0.00	<b>169.06</b>
<b>Total additional capital expenditure allowed</b>	<b>200.38</b>	<b>94.92</b>	<b>527.63</b>	<b>0.00</b>	<b>0.00</b>	<b>822.93</b>

11. The break-up details of the actual additional capital expenditure claimed for the period 2009-14 is as under:

Package Name	Actual						Total
	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	
Ash Pond Raising works	10.94	13.33	547.08	0.00	0.00	0.00	<b>571.35</b>
Ash Silo-2 Fabrication & Erection work	16.89	0.00	0.00	0.00	0.00	0.00	<b>16.89</b>
CCTV	106.31	0.00	9.09	0.00	0.00	6.12	<b>121.52</b>
Gadget for Plant Security	67.09	58.45	1.79	0.00	0.00	0.00	<b>127.33</b>
Off- site Civil Work	15.12	0.00	0.00	0.00	0.00	0.00	<b>15.12</b>
Scheme for supply of electricity within 5 km area	0.00	0.00	0.00	0.00	0.00	0.00	<b>0.00</b>
New Claim of Municipality Permission fee of Main Plant building	0.00	0.00	0.00	0.00	56.41	0.00	<b>56.41</b>
<b>Additional capital expenditure claimed</b>	<b>216.35</b>	<b>71.78</b>	<b>557.96</b>	<b>0.00</b>	<b>62.54</b>	<b>0.00</b>	<b>908.63</b>
De-capitalization	0.00	0.00	0.00	0.00	0.00	0.00	<b>0.00</b>
Discharge of liability	48.34	61.73	58.99	0.00	0.00	0.00	<b>169.06</b>
Exclusions disallowed	(-) 61.73	(-) 38.59	(-) 39.09	0.00	0.00	0.00	<b>(-) 139.41</b>
Additional de-capitalization of capital cost	(-) 2.58	0.00	(-) 50.23	0.00	0.00	0.00	<b>(-) 52.81</b>
Reversal of extra de-capitalization from capital cost	2.58	0.00	50.23	0.00	0.00	0.00	<b>52.81</b>
<b>Total additional capital expenditure claimed</b>	<b>202.96</b>	<b>94.92</b>	<b>577.86</b>	<b>0.00</b>	<b>62.54</b>	<b>0.00</b>	<b>938.28</b>

12. It is observed from the above, that as against the additional capital expenditure of ₹822.93 lakh allowed vide order dated 4.2.2014 in Petition No. 137/GT/2013, the petitioner has claimed the actual



additional capital expenditure of ₹938.28 lakh for the period 1.4.2009 to 31.3.2014. Thus, there is an increase of ₹115.53 lakh in the petitioner's claim for additional capitalization. This increase is mainly on account of new claims of ₹56.41 lakh towards Municipality permission fee of main plant building and ₹6.12 lakh towards CCTV. In addition, there is increase in the claim for additional capital expenditure of ₹202.96 lakh in 2009-10 and ₹577.86 lakh in 2011-12 as against the admitted additional capital expenditure of ₹200.38 lakh and ₹527.63 lakh. As regards the addition of ₹2.58 lakh in 2009-10 and ₹50.23 lakh in 2011-12, the Commission in order dated 4.2.2014 in Petition No. 137/GT/2013 had observed as under:

*"The petitioner has submitted the details of de-capitalization of MBOA & Spares vide Annexure-4 of the additional submissions vide affidavit dated 5.11.2012, which has not been considered under exclusions. The petitioner has clarified that the additions for the year 2009-10 and exclusion for the year 2011-12 includes de-capitalization of building for Rs2.58 lakh and Rs 50.23 lakh, respectively and the figures shown in the petition is on net basis. As such, for the time being, these assets have been considered to form part of the capital cost and accordingly considered as de-capitalization for the purpose of tariff. Since details like, the actual year of capitalization, the depreciation recovered so far, etc., in respect of these de-capitalization have not been furnished by the petitioner, the corresponding adjustment in the repayment of loan and the cumulative depreciation could not be made. The admissibility of these de-capitalizations and the corresponding adjustments to cumulative depreciation as well as repayment of loan can only be considered at the time of truing up, subject to the petitioner furnishing appropriate details therein."*

13. In terms of the direction of the Commission, the petitioner vide affidavit dated 4.8.2014 has submitted the details of the said amounts, as under:

**(a) De-capitalization of ₹2.58 lakh in 2009-10:** The de-capitalization of ₹2.58 lakh is included in the capital cost as admitted by the Commission under the head Plant approach and Other civil works in 2009-10. Hence, further de-capitalization of ₹2.58 lakh by the Commission would lead to double de-capitalization. Further, as admitted works of Plant approach and other civil works include the de-capitalization of ₹2.58 lakh, the corresponding adjustments to cumulative depreciation as well as repayment of loan is to be considered. The impact on capital cost and adjustments for 2009-10 has been incorporated in the forms.

**(b) De-capitalization of ₹50.23 lakh for 2011-12:** The de-capitalization of ₹50.23 lakh in 2011-12 pertaining to Community Centre works was disallowed by the Commission in 2009-10 vide order dated 7.5.2012 and hence did not form a part of the capital cost. This de-capitalization is to be treated under exclusion. The impact on capital cost for 2011-12 has been incorporated in the forms.





14. From the details submitted by the petitioner, the claim of petitioner for additional capital expenditure for ₹2.58 lakh in 2009-10 and ₹50.23 lakh in 2011-12 is justifiable and is in order. We now examine the claims of the petitioner for the period 2012-14 as under:

### **CCTV**

15. The petitioner has claimed actual additional capital expenditure of ₹6.12 lakh in 2013-14 for this asset and has submitted that the Commission vide order dated 7.5.2012 in Petition No. 256/2009 had allowed the projected additional capital expenditure of ₹106.31 lakh in 2009-10 and thereafter vide order dated 4.2.2014 in Petition No. 137/GT/2013 had allowed the actual capital expenditure of ₹9.09 lakh in 2011-12. The respondent, KSEB has submitted that the claim of the petitioner over and above the values approved by the Commission may be disallowed.

16. The matter has been examined. It is observed that no projected additional capital expenditure was allowed for the years 2012-13 and 2013-14 by Commission's order dated 4.2.2014 for this asset. However, considering the fact that the expenditure on CCTV is as per recommendations of the Intelligence Bureau (IB), Ministry of Home Affairs, Govt. of India, the actual additional capital expenditure of ₹6.12 lakh towards CCTV for 2013-14 is allowed.

### **Municipality Permission fee of Main Plant building**

17. The petitioner has claimed additional capital expenditure of ₹56.41 lakh under Regulation 9 (2)(i) of the 2009 Tariff Regulations towards permission fee imposed by the Ramagundam Municipality in 2006-07 for Unit-VII of the generating station in 2013-14. The petitioner has submitted that in 2006-07, the Ramagundam Municipality had demanded ₹1918.45 lakh towards payment of permission fee for the generating station buildings which was disputed by the petitioner in Arbitration proceedings and an interim payment of ₹19.99 lakh was made by the petitioner subject to final outcome of the arbitration proceedings. The petitioner has also submitted that the Commissioner, Ramagundam Municipal Corporation vide letter dated 27.1.2014 had revised the fee & charges and had demanded payment of ₹76.41 lakh by the petitioner on this count after deducting the amount paid earlier. The petitioner has accordingly submitted that as the balance



payment of ₹56.41 lakh (76.71 -19.99) was capitalized during the year 2013-14, the same has been claimed in this petition.

18. We have examined the matter. In consideration of the fact that the payment of the balance amount of ₹56.41 lakh in 2013-14 is on account of liabilities arising out of levy of fee and charges which has been paid to the Municipal corporation by the petitioner, the capitalization of the said amount is allowed in 2013-14.

### Reconciliation of the actual additional capital expenditure for 2012-13 and 2013-14

19. The reconciliation of the actual additional capital expenditure for the period 2012-14 is as under:

Sl. No.	Additional capital expenditure	(₹ in lakh)	
		2012-13	2013-14
1	Opening Gross Block	163871.41	164935.74
2	Closing Gross Block	164935.74	165673.01
3	Additional Capitalization in the Books of accounts (2-1)	1064.33	737.27
4	Exclusion of additional capital expenditure (claimed)	941.05	461.94
5	Net additional capital expenditure including Package ERV (3-4)	123.28	275.33
6	Package ERV	123.28	212.79
7	Additional capital expenditure claimed against work (5-6)	0.00	62.54
8	Discharge of liabilities for previous period	0.00	0.00
9	<b>Total additional capital expenditure claimed</b>	<b>0.00</b>	<b>62.54</b>

### Exclusions

20. It is observed 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 exclusions of certain expenditures and exclusion of liabilities in the additional capital expenditure considered for the purpose of tariff. The summary of exclusions from the Auditor's certificate claimed for the years 2012-13 and 2013-14 under different heads for the purpose of tariff is discussed as under:

		(₹ in lakh)	
		2012-13	2013-14
1	Disallowed items	49.26	51.66
2	Inter Unit Transfers	(-) 1.67	(-) 17.77
3	Capitalization of Spares	609.52	103.97



4	Capitalization of MBOA items	557.14	427.73
5	Capitalization of other important works	195.65	1.40
6	De-capitalization of spares	(-) 313.54	(-) 34.57
7	De-capitalization of MBOA	(-) 155.31	(-) 70.48
8	Reversal of Liability for allowed works	0.00	0.00
	De capitalization of Spares (admitted items)	(-) 38.51	(-) 12.31
	De-capitalization of Spares (not-admitted items)	(-) 275.03	(-) 22.26
	De-capitalization of MBOA (admitted items)	(-) 154.90	(-) 20.31
	De-capitalization of MBOA (not admitted items)	(-) .42	(-) 50.10
	Re-grouping of assets	(-) 3.87	-
	Re-grouping of assets	3.87	-
	<b>Total Exclusions claimed</b>	<b>941.05</b>	<b>461.94</b>

### Items disallowed

21. The petitioner has submitted that an amount of ₹49.26 lakh in 2012-13 and ₹51.66 lakh in 2013-14 on account of S&T System-Rail Augmentation work was disallowed vide order dated 7.5.2012 in Petition No. 256/2009 and has been kept under exclusion. In view of this, the exclusion of the said amounts are allowed.

### Inter-Unit Transfer

22. An amount of (-) ₹1.67 lakh in 2012-13 and (-) ₹17.77 lakh in 2013-14 has been excluded on account of Inter-Unit Transfer. The petitioner has submitted that items under inter unit transfer were not considered by the Commission for tariff purpose and hence kept under exclusion. The Commission while dealing with the petitions for additional capitalization in respect of other generating stations of the petitioner had decided that both positive and negative entries arising out of inter unit-transfers of temporary nature shall be ignored for the purpose of tariff. In consideration of the same, the exclusion of the amount of (-) ₹1.67 lakh in 2012-13 and (-) ₹17.77 lakh in 2013-14 on account of inter-unit transfer is allowed.

### Capitalization of Spares

23. The petitioner has procured spares amounting to ₹609.52 lakh in 2012-13 and ₹103.97 lakh in 2013-14. As capitalization of spares over and above the initial spares procured after the cut-off date of the generating station are not allowed for the purpose of tariff as they form part of O&M expenses as and when consumed, the petitioner has excluded the said amount. Accordingly, the exclusion of the said amount under this head is in order and is allowed.



### **Capitalization of MBOA items**

24. The petitioner has procured Miscellaneous Bought out Assets (MBOA) amounting to ₹557.14 lakh in 2012-13 and ₹427.73 lakh in 2013-14. As capitalization of MBOA procured after the cut-off date of the generating station are not allowed for the purpose of tariff as they form part of O&M expenses as and when consumed, the petitioner has excluded the said amount. Accordingly, the exclusion of the said amount under this head is in order and is allowed.

### **Capitalization of other important works**

25. The petitioner has capitalized amounts for ₹195.65 lakh in 2012-13 and ₹1.40 lakh in 2013-14 on other important works (i.e. Portable DAS, Centrifugal oil separator, Open channel flow measurement system, Supply of online Dual channel flow meter, new drinking water pumps, Construction of Sheds etc.). The petitioner has submitted that as capitalization of other important works is not allowed under the existing regulations, the same has been kept under exclusion. In view of this, the exclusion of the said amount is in order and is allowed.

### **De-capitalization of Spares (admitted items)**

26. The petitioner has de-capitalized capital spares amounting to (-) ₹38.51 lakh in 2012-13 and (-) ₹12.31 lakh in 2013-14 in books of accounts on these spares becoming unserviceable. The petitioner has sought exclusion of these de-capitalization spares for purpose of tariff. These spares which form part of the capital cost allowed in tariff on becoming unserviceable are taken out from the capital cost. Hence, exclusion for de-capitalization of spares is not acceptable and has not been allowed.

### **De-capitalization of Spares (Non-admitted items)**

27. The petitioner has claimed de-capitalization of capital spares amounting to (-) ₹275.03 lakh during 2012-13 and (-) ₹22.26 lakh in 2013-14 in books of accounts on these spares becoming unserviceable. The petitioner has sought exclusion of the de-capitalization of spares for purpose of tariff. However, the petitioner has submitted that only spares amounting to ₹30.35 lakh in 2012-13 and ₹4.27 lakh in 2013-14 do not form part of capital cost and has been earlier disallowed by the Commission in respect of this generating station for capitalization. The petitioner has further



submitted that the balance amount of ₹244.68 and ₹17.99 lakh on spares were capitalized during the years 2012-13 and 2013-14 and has been kept under exclusion. Since capitalization of the spares do not form part of the admitted capital cost, the exclusion of de-capitalization of spares for the said amounts is allowed. In view of above, exclusion of de-capitalization of (-) ₹275.03 lakh in 2012-13 and (-) ₹22.26 lakh in 2013-14 is in order and is allowed.

#### **De-capitalization of MBOA (admitted items)**

28. The petitioner has de-capitalized MBOA amounting to (-) ₹154.90 lakh in 2012-13 and (-) ₹20.31 lakh in 2013-14 in the books of accounts on these assets becoming unserviceable. After examining the exclusions sought on de-capitalization of MOBA, it is noticed that the amount of (-) ₹154.90 lakh in 2012-13 and (-) ₹20.31 lakh in 2013-14 pertains to MBOA which were part of the capital cost of the generating station for the purpose of tariff. Hence, exclusion on account of de-capitalization of these spares is not justifiable and is not allowed for the purpose of tariff.

#### **De-capitalization of MBOA (Non-admitted items)**

29. The petitioner has de-capitalized MBOA amounting to (-) ₹0.04 lakh in 2012-13 and (-) ₹50.10 lakh in 2013-14 in the books of accounts. The petitioner has sought exclusion of the de-capitalization spares for purpose of tariff. However, the petitioner has submitted that only assets amounting to ₹46.89 lakh in 2013-14 do not form part of capital cost and has been earlier disallowed by the Commission in respect of this generating station for capitalization. The petitioner has further submitted that the amount of ₹0.42 lakh in 2012-13 and the balance amount of ₹3.21 lakh in 2013-14 has been capitalized and is being kept under exclusion. Since the capitalization of MBOA during the years 2012-13 and 2013-14 do not form part of the capital cost considered for the purpose of tariff, the exclusion of de-capitalization of (-) ₹0.42 lakh in 2012-13 and (-) ₹50.10 lakh in 2013-14 is in order and is allowed.

#### **Regrouping of assets**

30. The petitioner has deducted an amount of ₹3.87 lakh from other office equipment and added these assets to Communication & Hospital equipment in 2012-13 and has sought exclusion. Since,



this is only rectification of the classification of assets from removal to addition, the exclusion is allowed.

31. The petitioner has claimed additional capital expenditure of ₹123.29 lakh in 2012-13 and ₹212.79 lakh in 2013-14 towards package ERV for Steam generator of the unit. As per methodology, FERV package in the form of liability is allowed additional capital expenditure. However, as the liability has not been discharged, the additional capital expenditure is nil for the purpose of tariff.

32. The summary of exclusions allowed/ not allowed for the purpose of tariff is as under:

		<i>(₹ in lakh)</i>	
		<b>2012-13</b>	<b>2013-14</b>
1	Capitalization of Spares	609.52	103.97
2	Capitalization of MBOA and other items	557.14	427.73
3	Capitalization of other important works	195.65	1.40
4	Inter Unit Transfer	(-)1.67	(-)17.77
5	Liability Reversal	0.00	0.00
6	(i) De-capitalization of Spares part of capital cost	(-)38.51	(-)12.31
	(ii) De-capitalization of Spares not part of capital cost	(-) 30.35	(-) 4.27
	(iii) De-capitalization of Spares not part of capital cost	(-) 244.68	(-) 17.99
7			
	(i) De-capitalization of MBOA which form part of capital cost	(-) 154.90	(-) 20.38
	(ii) De-capitalization of MBOA not part of the capital cost	0.00	(-) 46.89
	(iii) De-capitalization of MBOA not part of capital cost	(-) 0.42	(-) 3.21
8	De-capitalization of other items	0.00	0.00
9	Disallowed items	49.26	51.66
10	<b>Total Exclusions claimed (A)</b>	<b>941.05</b>	<b>461.94</b>
11	<b>Exclusions allowed (B)</b>	<b>1134.45</b>	<b>494.63</b>
12	<b>Exclusions not allowed (B-A)</b>	<b>193.41</b>	<b>32.69</b>

33. Based on the above discussions, the total additional capital expenditure allowed for the purpose of tariff for the period 2012-14 is summarized as under:-

	<i>(Rs. in lakh)</i>	
	Actual additional capital expenditure	
	<b>2012-13</b>	<b>2013-14</b>
CCTV	0.00	6.12
New claim of Municipality Permission fee of Main plant building	0.00	56.41
Total Additional capital expenditure allowed (excluding Package ERV)	0.00	62.54



Exclusions not allowed	(-) 193.41	(-) 32.69
<b>Net additional capital expenditure allowed</b>	<b>(-) 193.41</b>	<b>29.84</b>

34. The petitioner has not claimed any discharge of liabilities for the years 2012-13 and 2013-14. 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	156151.12	156354.08	156449.00	157026.86	156833.45
Add: Additional capital expenditure	202.96	94.92	577.86	(-)193.41	29.84
<b>Closing Capital Cost</b>	<b>156354.08</b>	<b>156449.00</b>	<b>157026.86</b>	<b>156833.45</b>	<b>156863.30</b>
<b>Average Capital Cost</b>	<b>156252.60</b>	<b>156401.54</b>	<b>156737.93</b>	<b>156930.16</b>	<b>156848.38</b>

### Debt-Equity Ratio

35. Accordingly, gross loan and equity amounting to ₹109305.78 lakh and ₹46845.34 lakh, respectively as considered in order dated 4.2.2014 in Petition No.137/GT/2013 has been retained as on 1.4.2009. Further, the admitted additional capital expenditure has been allocated in the debt-equity ratio of 70:30.

### Return on Equity

36. Return on equity has been worked out as under:

	(₹ In lakh)				
	2009-10	2010-11	2011-12	2012-13	2013-14
Notional Equity- Opening	46845.34	46906.22	46934.70	47108.06	47050.04
Addition of Equity due to additional capital expenditure	60.89	28.48	173.36	(-) 58.02	8.95
Normative Equity-Closing	46906.22	46934.70	47108.06	47050.04	47058.99
Average Normative Equity	46875.78	46920.46	47021.38	47079.05	47054.51
Return on Equity (Base Rate)	15.500%	15.500%	15.500%	15.500%	15.500%
Tax Rate for the respective years	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%
<b>Return on Equity (Pre Tax)- (annualised)</b>	<b>11006.90</b>	<b>10890.24</b>	<b>10788.59</b>	<b>10801.82</b>	<b>11048.87</b>

### Interest on loan

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

- The gross normative loan of ₹109305.78 lakh has been considered as on 1.4.2009.
- Cumulative repayment as on 31.3.2009 amounting to ₹37711.08 lakh as considered in order dated 4.2.2014 in Petition No. 137/GT/2013 has been considered as on 1.4.2009.
- Accordingly, the net normative opening loan as on 1.4.2009 works out to ₹71594.70 lakh.



- (d) Addition to normative loan on account of additional capital expenditure approved above has been considered.
- (e) 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 and reversal of liabilities considered during the respective years on account of cumulative repayment adjusted as on 1.4.2009. Also repayments have been adjusted for de-capitalization of assets considered for the purpose of tariff.
- (f) In line with the provisions of the regulation stated above, the weighted average rate of interest has been calculated by applying the actual loan portfolio existing as on 1.4.2009 along with subsequent additions during the period 2009-14, if any, for the generating station. In case of loans carrying floating rate of interest the rate of interest as provided by the petitioner has been considered for the purpose of tariff.

38. The necessary calculation for interest on loan is as under:

	(₹ in lakh)				
	2009-10	2010-11	2011-12	2012-13	2013-14
Gross opening loan	109305.78	109447.85	109514.30	109918.80	109783.42
Cumulative repayment of loan upto previous year	37711.08	45974.24	54232.35	62509.89	70681.71
Net Loan Opening	71594.70	63473.62	55281.95	47408.91	39101.71
Addition due to Additional capitalisation	142.07	66.45	404.50	-135.38	20.89
Repayment of loan during the year	8246.16	8258.01	8286.89	8307.20	8300.59
Less: Repayment adjustment on account of de-capitalization	45.02	27.01	27.36	135.38	22.89
Add: Repayment adjustment on account of discharges / reversals corresponding to un-discharged liabilities deducted as on 1.4.2009	62.01	27.12	18.01	0.00	0.00
Net Repayment	8263.16	8258.11	8277.54	8171.82	8277.70
Net Loan Closing	63473.62	55281.95	47408.91	39101.71	30844.90
Average Loan	67534.16	59377.78	51345.43	43255.31	34973.30
Weighted Average Rate of Interest on Loan	7.6295%	7.6497%	8.1110%	8.1072%	8.1809%
<b>Interest on Loan</b>	<b>5152.54</b>	<b>4542.23</b>	<b>4164.64</b>	<b>3506.78</b>	<b>2861.12</b>

## Depreciation

39. The cumulative depreciation amounting to ₹37702.35 lakh (after adjusting ₹522.63 lakh towards un-discharged liabilities deducted as on 1.4.2009) was considered as on 1.4.2009 in order dated 4.2.2014. However, the balance depreciable value (before providing depreciation) for the year 2009-10 works out to ₹102924.99 lakh. As stated in order dated 4.2.2014, depreciation has





been calculated by applying weighted average rate of depreciation. Accordingly, the weighted average rate of depreciation computed by the petitioner is found to be in order and has been considered for the purpose of tariff. Further, proportionate adjustment has been made to the cumulative depreciation corresponding to discharges and/or reversal of liabilities considered during the respective years on account of cumulative depreciation adjusted as on 1.4.2009. Also cumulative depreciation has been adjusted for de-caps considered during tariff period 2009-14. Necessary calculations in support of depreciation are as shown below:

	(₹ in lakh)				
	2009-10	2010-11	2011-12	2012-13	2013-14
Average Capital Cost	156252.60	156401.54	156737.93	156930.16	156848.38
Depreciable value @ 90%	140627.34	140761.39	141064.14	141237.14	141163.54
Weighted average rate of depreciation	5.2775%	5.2800%	5.2871%	5.2936%	5.2921%
Remaining useful life at the beginning of the year	20.98	19.98	18.98	17.98	16.98
Balance depreciable value	102924.99	94764.81	86791.08	78670.00	70344.10
<b>Depreciation (annualized)</b>	<b>8246.16</b>	<b>8258.01</b>	<b>8286.89</b>	<b>8307.20</b>	<b>8300.59</b>
Cumulative depreciation at the end	45948.51	54254.59	62559.95	70874.35	79120.03
Less: Cumulative depreciation adjustment on account of de-capitalization	13.93	8.64	10.82	54.91	14.34
Add: Cumulative depreciation adjusted on account of discharges out of un-discharged liabilities deducted as on 1.4.2009	62.00	27.11	18.01	0.00	0.00
Cumulative depreciation (at the end of the period)	45996.58	54273.06	62567.14	70819.44	79105.69

### O&M Expenses

40. O&M expenses as considered in order dated 4.2.2014 in Petition No. 1379/GT2013 as stated below has been considered.

(₹ in lakh)				
2009-10	2010-11	2011-12	2012-13	2013-14
6500.00	6870.00	7265.00	7680.00	8120.00

### Cost of Secondary Fuel

41. The cost of secondary Fuel as allowed in order dated 4.2.2014 in Petition No137/GT/2013 as stated below has been considered.

(₹ in lakh)				
2009-10	2010-11	2011-12	2012-13	2013-14
761.89	761.89	763.98	761.89	761.89



## Interest on Working Capital

42. Cost of coal for two months and cost of secondary fuel for two months as considered in order dated 4.2.2014 in Petition No. 137/GT2013 as stated below, has been considered.

	(₹ in lakh)				
	2009-10	2010-11	2011-12	2012-13	2013-14
Cost of coal – 2 months	6312.88	6312.88	6330.18	6312.88	6312.88
Cost of secondary fuel oil – 2 months	126.98	126.98	127.33	126.98	126.98

43. Maintenance spares as considered in order dated 4.2.2014 as stated below, has been considered.

(₹ in lakh)				
2009-10	2010-11	2011-12	2012-13	2013-14
1300.00	1374.00	1453.00	1536.00	1624.00

44. 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 -2 months	6312.88	6312.88	6330.18	6312.88	6312.88
Fixed Charges - 2 months	5692.10	5635.56	5629.56	5595.31	5603.83
<b>Total</b>	<b>12004.98</b>	<b>11948.45</b>	<b>11959.74</b>	<b>11908.20</b>	<b>11916.71</b>

45. O&M expenses for 1 month for the purpose of working capital as allowed in order dated 4.2.2014 has been considered as under.

(₹ in lakh)				
2009-10	2010-11	2011-12	2012-13	2013-14
541.67	572.50	605.42	640.00	676.67

46. 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 given as under:

	(₹ in lakh)				
	2009-10	2010-11	2011-12	2012-13	2013-14
Cost of coal – 2 months	6312.88	6312.88	6330.18	6312.88	6312.88
Cost of secondary fuel oil – 2 months	126.98	126.98	127.33	126.98	126.98
Maintenance Spares	1300.00	1374.00	1453.00	1536.00	1624.00
Receivables – Two months	12004.98	11948.45	11959.74	11908.20	11916.71
O&M expenses – One month	541.67	572.50	605.42	640.00	676.67
<b>Total Working Capital</b>	<b>20286.52</b>	<b>20334.81</b>	<b>20475.67</b>	<b>20524.06</b>	<b>20657.25</b>
Rate of Interest	12.25%	12.25%	12.25%	12.25%	12.25%
<b>Interest on Working Capital</b>	<b>2485.10</b>	<b>2491.01</b>	<b>2508.27</b>	<b>2514.20</b>	<b>2530.51</b>



## Annual Fixed Charges for 2009-14

47. Based on the above, the annual fixed charges for the period 2009-14 allowed in respect of the generating station is summarized as under:

	(₹ in lakh)				
	2009-10	2010-11	2011-12	2012-13	2013-14
Depreciation	8246.16	8258.01	8286.89	8307.20	8300.59
Interest on Loan	5152.54	4542.23	4164.64	3506.78	2861.12
Return on Equity	11006.90	10890.24	10788.59	10801.82	11048.87
Interest on Working Capital	2485.10	2491.01	2508.27	2514.20	2530.51
O&M Expenses	6500.00	6870.00	7265.00	7680.00	8120.00
Cost of Secondary Fuel Oil	761.89	761.89	763.98	761.89	761.89
<b>Total</b>	<b>34152.59</b>	<b>33813.38</b>	<b>33777.36</b>	<b>33571.88</b>	<b>33622.97</b>

*Note: (i) All figures are on annualized basis. (ii) All the figures under each head have been rounded. (iii) The figure in total column in each year is also rounded. Because of rounding of each figure the total may not be arithmetic sum of individual items in columns*

48. The difference in the annual fixed charges determined by order dated 4.2.2014 and those determined by this order shall be adjusted in accordance with Regulation 6 (6) of the 2009 Tariff Regulations.

49. Petition No. 219/GT/2014 is disposed of in terms of the above.

**Sd/-**  
**[Dr. M.K.Iyer]**  
**Member**

**Sd/-**  
**[A.K.Singhal]**  
**Member**

**Sd/-**  
**[Gireesh B.Pradhan]**  
**Chairperson**

