

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Petition No. 274/GT/2014

Coram:

**Shri Gireesh B. Pradhan, Chairperson
Shri A.K. Singhal, Member
Dr. M.K. Iyer, Member**

Date of Order : 06.02.2017

In the matter of

Revision of tariff of Farakka Super Thermal Power Station Stage-I & II (1600 MW) for the period from 1.4.2009 to 31.3.2014- Truing up of tariff determined by order dated 12.11.2014 in Petition No.233/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. 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. Tamil Nadu Generation and Distribution Corporation Limited
NPKRP Maaligail, 800, Anna Salai
Chennai – 600002
8. Union Territory of Pondicherry
Electricity Department
58, Subhash Chandra Bose Salai
Pondicherry – 605001
9. Uttar Pradesh Power Corp. Limited
Shakti Bhawan, 14, Ashok Marg
Lucknow – 22600.
10. Power Development Department
Government of J&K Secretariat,
Srinagar
11. Power Department
Union Territory of Chandigarh
Addl. Office Building
Sector-9D, Chandigarh
12. BSES Rajdhani Power Ltd.
BSES Bhawan, Nehru Place
New Delhi-110019
13. BSES Yamuna Power Ltd.
Shakti Kiran Bldg., Karkardooma
Delhi
14. Tata Power Delhi Distribution Co. Ltd.
NDPL House, Hudson Lane, Kingsway Camp
Delhi-110009



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

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

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

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

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

...Respondents

Parties present:

For Petitioner: Shri Ajay Dua, NTPC
Shri Nishant Gupta, NTPC
Shri Shankar Saran, NTPC
Shri Bhupinder Kumar, NTPC
Shri Rajeev Choudhary, NTPC
Shri Manoj Kumar Sharma, NTPC

For Respondents: Shri R.B. Sharma, Advocate, BRPL, GRIDCO & BSHPCCL
Shri Manish Garg, UPPCL

ORDER

This petition has been filed by the petitioner, NTPC for revision of the annual fixed charges in respect of Farakka Super Thermal Power Station Stage-I & II (1600 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 1600 MW comprises of three units of 200 MW each and two units of 500 MW each. The dates of commercial operation (COD) of the different units of the generating station are as under:

Unit	COD
Unit-I	1.11.1986
Unit-II	1.10.1987
Unit-III	1.9.1988
Unit-IV	1.7.1996
Unit-V	1.4.1995

3. Petition No. 222/2009 was filed by the petitioner for approval of tariff of the generating station for the period 2009-14 and the Commission by its order dated 14.6.2012 approved the annual fixed charges of the generating station tariff based on the capital cost of ₹ 310919.13 lakh, after deduction the un-discharged liabilities amounting to ₹2579.17 lakh as on 1.4.2009. Thereafter, the Commission by order dated 19.6.2013 in Petition No. 24/RP/2012 had revised the annual fixed charges of the generating station after correction of certain errors in the order dated 14.6.2012 in Petition No.222/2009. Thereafter, the Commission vide order dated 12.11.2014 in Petition No. 233/GT/2013 has 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. Accordingly, the annual fixed charges allowed in order dated 12.11.2014 are as under:

	(₹ in lakh)				
	2009-10	2010-11	2011-12	2012-13	2013-14
Depreciation	7127.32	7629.14	7987.70	7972.55	8026.15
Interest on Loan	154.48	16.07	0.00	0.00	0.00
Return on Equity	36349.29	36257.06	35998.04	36006.46	36028.72
Interest on Working Capital	11176.91	11273.21	11389.59	11476.91	11658.12



	2009-10	2010-11	2011-12	2012-13	2013-14
O&M Expenses	23920.00	25284.00	26734.00	28266.00	29884.00
Secondary fuel oil cost	2300.68	2300.68	2306.98	2300.68	2300.68
Compensation Allowance	540.00	640.00	640.00	610.00	480.00
Special allowance	0.00	0.00	0.00	1181.60	2498.38
Total	81568.68	83400.15	85056.31	87814.21	90876.06

4. Regulation 6 (1) 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 petitioner presently seeks revision of the annual fixed charges based on the actual additional capital expenditure incurred for the years 2012-13 and 2013-14 in accordance with Regulation 6(1) 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

	<i>(₹ in lakh)</i>	
	2012-13	2013-14
Opening Capital Cost	322402.72	322613.31
Add: Additional capital expenditure	210.59	1167.94
Closing Capital Cost	322613.31	323781.25
Average Capital Cost	322508.01	323197.28



Annual Fixed Charges

	(₹ in lakh)	
	2012-13	2013-14
Depreciation	8072.37	8070.16
Interest on Loan	0.00	0.00
Return on Equity	36124.65	36142.80
Interest on Working Capital	11395.73	11480.80
O&M Expenses	26734.00	28266.00
Secondary fuel oil cost	2306.98	2300.68
Compensation Allowance	640.00	610.00
Special allowance	0.00	1181.60
Total	85273.73	88052.04

6. 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 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

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 annual fixed charges for the years 2012-13 and 2013-14 based on the admitted opening capital cost of ₹310881.94 lakh, as on 1.4.2009 and ₹322402.72 lakh, as on 1.4.2012 in terms of the Commission’s order dated 14.6.2012 in Petition No. 222/2009. However, the opening capital cost as on 1.4.2009, allowed by



the Commission in order dated 12.11.2014 in Petition No. 233/GT/2013, is ₹310881.81 lakh after deduction of un-discharged liabilities amounting to ₹2616.49 lakh (₹2285.90 lakh pertaining to period prior to 1.4.2004 and ₹330.59 pertaining to period 2004-09). The capital cost on 1.4.2012 as allowed by the Commission in order dated 12.11.2014 in Petition No. 233/GT/2013 is ₹320527.31 lakh, after deduction of undischarged liabilities of ₹1795.37 lakh as on 1.4.2012. 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, is considered at ₹310881.81 lakh, on cash basis. Further, out of the un-discharged liabilities of ₹2616.49 lakh deducted as on 1.4.2009, the petitioner has discharged amounts of ₹103.08 lakh, ₹292.68 lakh, ₹311.53, ₹291.66 lakh, and ₹249.16 lakh during the years 2009-10, 2010-11, 2011-12, 2012-13 and 2013-14 respectively. The petitioner has also reversed amounts of ₹265.09 lakh, ₹47.06 lakh, ₹53.62, ₹4.83 lakh and ₹148.62 lakh during 2009-10, 2010-11, 2011-12, 2012-13 and 2013-14 respectively. 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

9. 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.”



10. The break-up details of the actual/ projected additional capital expenditure allowed by Commission's order dated 12.11.2014 in Petition No. 233/GT/2013 for the period 2009-14 are as under:

(₹ in lakh)

Sr. No	Head of work/ Equipment	Actual/ Projected Additional Capital expenditure					
		2009-10	2010-11	2011-12	2012-13	2013-14	Total
		Actual			Projected		
A	Ash Handling System						
1	Ash Dyke Raising, Stage-1	0.00	0.00	0.00	0.00	0.00	0.00
2	Ash Dyke Raising, Stage-2	0.00	465.87	0.00	0.00	646.80	1112.67
A1	Sub Total	0.00	465.87	0.00	0.00	646.80	1112.67
B	Environment System						
	AAQMS	93.91	0.00	0.00	0.00	0.00	93.91
B1	Sub Total	93.91	0.00	0.00	0.00	0.00	93.91
C	Other Capital Works						
1	Wagon Tipplers associated system	5220.29	4437.73	0.00	0.00	0.00	9658.02
2	Lift Pump	0.00	0.00	0.00	0.00	0.00	0.00
3	Extension of portion of Plant Boundary	0.00	0.00	0.00	0.00	0.00	0.00
C1	Sub Total	5220.29	4437.73	0.00	0.00	0.00	9658.02
D	Grand Sub Total	5314.20	4903.60	0.00	0.00	646.80	10864.60
E1	Total de-capitalization of assets	0.00	(-)21.73	0.00	0.00	0.00	(-)21.73
F	Grand Total (D+E1)	5314.20	4881.87	0.00	0.00	646.80	10842.87
G	Exclusions not allowed	(-)276.87	(-)958.14	(-)975.78	0.00	0.00	(-)2210.79
		596.06	1918.72	1045.90	0.00	0.00	3560.68
H	Net Additional capitalization allowed excluding discharge of liabilities (F-G)	4995.01	3921.29	(-)70.12	0.00	646.80	9492.98
	Discharges of liabilities	103.08	381.24	315.00	0.00	0.00	799.32
	Actual/ Projected Additional capital Expenditure allowed	5098.09	4302.53	244.88	0.00	646.80	10292.30



11. The petitioner has revised the additional capital expenditure for the period 2012-13 to 2013-14 on actual basis as against those allowed on projected basis in order dated 12.11.2014 in Petition No. 233/GT/2013. Since, the annual fixed charges for the period 2009-12 were revised in order dated 12.11.2014 based on actual additional capital expenditure for the years 2009-10, 2010-11 and 2011-12, the actual additional capital expenditure incurred during the years 2012-13 and 2013-14 has only been considered in this order.

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

(₹ in lakh)

Sr. No	Head of work	Regulations	Actual Additional capital expenditure		
			2012-13	2013-14	Total
A	Ash handling system				
1	Ash Dyke raising, Stage-2	9(2)(iii)	0.00	0.07	0.07
B	Other Capital Works				
1	Lift Pumps	9(2)(ii)	4.46	0.00	4.46
2	BOBR Wagons (21Nos)	9(2) with Regulation 44	0.00	896.33	896.33
3	ABT System for ERP		0.00	69.09	69.09
4	HP Heater for Unit I & II		0.00	608.64	608.64
C	Decapitalization				
1	De-capitalization of HP Heaters	9(2) with Regulation 44	0.00	(-)728.28	(-)728.28
2	De-capitalization of Wagons		(-)98.57	0.00	(-)98.57
D	Discharge of liability Reinstated for allowed works				
	Steam Generator and ESP St-II		13.04	0.00	0.00
E	Liability Discharged (created prior to 2004)	9(2)(viii)	250.73	247.57	498.29
	Liability Discharged (created during 2004-09)		40.93	1.59	42.53
	Liability Discharged (created 2009-13)		0.00	72.93	72.93
F	Liability reinstatement on account of FERV*		0.00	0.00	0.00
	Grand Total		210.59	1167.94	1365.49

(*Cash basis discharged of liability is NIL considered as per the petitioner's submission)



13. The petitioner has claimed total additional capital expenditure of ₹1365.49 lakh for the period 2012-14 as against the total estimated additional capital expenditure of ₹646.80 lakh for 2012-14 allowed in order dated 12.11.2014. Thus, there is an increase of ₹718.69 lakh in the petitioner's claim for additional capital expenditure for the period 2012-14. This increase is mainly on account of claims of ₹896.33 lakh and ₹608.64 lakh towards BOBR Wagons and HP heaters for Units-I & II respectively during the years 2012-13 and 2013-14. The petitioner has however not claimed the projected additional capital expenditure of ₹646.80 lakh allowed vide order dated 12.11.2014 towards Ash dyke raising works in respect of Stage-II of the generating station.

14. The respondents, BRPL and GRIDCO have submitted that additional capital expenditure for the period 2009-12 has been revised based on truing up of order dated 12.11.2014 in Petition No. 233/GT/2013 and the additional capital expenditure during the year 2012-13 has not been allowed by the Commission in the order dated 12.11.2014. Accordingly, the respondents have prayed that any new claim during the period from 2009-10 to 2011-12 and any claim for the year 2012-13 may be disallowed. The petitioner vide affidavits dated 30.12.2014 and 2.1.2015 has submitted that the 2009 Tariff Regulations envisage variation between projected expenditure & actual expenditure and provision for final truing up and mid-term truing up has been provided to ensure that the actual additional capital expenditure incurred gets serviced instead of the projected expenditure. The petitioner has therefore prayed to consider the claims made in the petition. We now examine the claim of the petitioner and their admissibility, on prudence check, based on available records as stated in the subsequent paragraphs.



Regulation 9(2)(iii) of the 2009 Tariff Regulations

Ash Dyke Raising, Stage-II

15. The petitioner has claimed total actual additional capital expenditure of ₹0.07 lakh in 2013-14 as against the total projected additional capital expenditure of ₹646.80 lakh in 2013-14 allowed in order dated 12.11.2014 in Petition No. 233/GT/2013 for the said work of Ash Handling System under Ash Dyke Raising under Regulation 9(2)(iii) of the 2009 Tariff Regulations. In justification, the petitioner has submitted that the additional capital expenditure of ₹0.07 lakh in 2013-14 is material adjustment against this work in Stage-II which was allowed by the Commission in 2010-11 vide order dated 14.6.2012. The petitioner has further submitted that the Commission has allowed the additional capitalization of ₹693.00 lakh in the year 2012-13 for 4th raising of Nishindra ash dyke I & II vide order dated 14.6.2012 and the job was awarded in July 2012. The petitioner has further submitted that the raising of dyke I has been completed but could not be capitalized in the books of account and the raising of dyke II is expected to be completed by November 2014 and accordingly, the entire amount is expected to be capitalised in the year 2014-15. The petitioner has therefore requested to allow the capitalization on account of raising of Nishindra Ash Dyke I & II during the period 2014-19. Similarly, the petitioner has prayed that the Commission may allow the capitalization of Starter dyke of Nishindra Lagoon III as and when the works are completed during the period 2014-19.

16. The respondent GRIDCO has submitted that the Commission may conduct prudence check of the claims and has stated that the petitioner may be directed to avail special allowance in order to meet the expenditure. It has also submitted that the additional capital expenditure approved by the Commission for the period 2009-14 but



not completed is required to be considered afresh during the period 2014-19 in terms of the provision of 2014 Regulations. The respondent TANGEDCO has submitted that the claim of the petitioner is unjustified and the shifting of the expenditures to the next tariff period by the petitioner will result into higher capacity charges. It has also submitted that the petitioner has not furnished the revised capital estimates or Management certificate or necessary approvals for incurring the expenditure for the next tariff period. Therefore, the respondent, TANGEDCO has prayed that the Commission may reject the claim of the petitioner for shifting of expenditure.

17. The petitioner has submitted that the Commission had allowed additional capitalization towards raising of Ash Dyke St-II (4th raising of Nishindra Ash Dyke lagoon I & II) in the year 2012-13 vide order dated 14.6.2012 in Petition No. 222/2009 and keeping in view the requirement of the job, the capitalization projection was subsequently revised to the year 2013-14 in true up Petition No. 233/GT/2013 and was allowed by the Commission vide order dated 12.11.2014 in 2013-14. It has also submitted that the raising of lagoon-1 has already been completed in 2013-14 but could not be capitalized in the books of accounts in 2013-14 and the raising of lagoon-2 is expected to be completed by March, 2015 and then the capitalization of raising of both the lagoons has been projected in the year 2014-15 in Petition No. GT/316/2014, filed for approval of the generating station for the period 2014-19.

18. The matter has been examined. It is observed that the additional capital expenditure of ₹0.07 lakh claimed in 2013-14 is towards material adjustment against this work in Stage-II of the generating station which was allowed by Commission's order dated 14.6.2012. Accordingly, the same is allowed during 2013-14 under Regulation



9(2)(iii) of the 2009 Tariff Regulations. As regards other deferred works of ash handling corresponding to Stage I of the generating station, the Commission's observations in the order dated 12.11.2014 in Petition No. 233/GT/2013 are as below:

“14. The matter has been examined. Regulation 9(2)(iii) of the 2009 Tariff Regulations provides for consideration of additional capital expenditure after the cut-off date in respect of deferred works related to ash pond or ash handling system within the original scope of work. It is noticed that the petitioner, in terms of Regulation 10(4) of the 2009 Tariff Regulations, has opted for Special Allowance of ₹3679.98 lakh during 2012-14 and the same is admissible to the two units of Stage-I of the generating station. As the useful life of the said two units of Stage-I have expired during this tariff period, we do not find any justification to allow the additional capital expenditure for the said units towards deferred work on Ash handling system during 2010-11 as the same should be met from the Special Allowance. In view of this, the actual additional capital expenditure of ₹498.28 lakh for Stage-I claimed under Regulation 9(2)(iii) has not been allowed. However, the actual expenditure of ₹465.87 lakh during 2010-11 and the projected expenditure of ₹646.80 lakh during 2013-14 towards Ash Dyke raising claimed in respect of Stage-II of the generating station has been allowed under Regulation 9(2)(iii) of the 2009 Tariff Regulations.”

19. On an appeal filed by the petitioner, the Appellate Tribunal for Electricity (Tribunal) vide judgment dated 4.7.2016 in Appeal No. 46 of 2015 has affirmed the said order of the Commission. The relevant portion is extracted as under:

“

8.4.6 According to the Appellant, the capital expenditure on raising of Ash Dyke is not a part of the Renovation and Modernization of the generating station /unit and the capital expenditure on Ash Dyke is in the nature of creation of new asset/augmentation and cannot be termed as Renovation & Modernization. The expenditure on Ash Dyke raising works and associated infrastructure needs to be considered under Regulation 9 (2) (iii), because it is required for handling ash emanating from the generating station, which is not on account of Renovation and Modernization of the generation assets.

8.4.7 We are unable to accept the above contentions of the Appellant as they are without merits. Since, after the useful life of the generating station, the Appellant had opted for special allowance under Regulation 10(4) of Tariff Regulations, 2009 and the Appellant had been allowed Rs. 3,679.98 lakhs as special allowance in respect of Unit-I & II of the Farakka Station during 2012-14. Admittedly, the useful life of two units of Stage-I has expired during the tariff period, hence, the Central Commission appears to have rightly disallowed capitalization of Rs. 498.25 lakhs during 2010-11 having observed that the



same could be met from special allowance. The Central Commission adopted the view that the useful life of Unit-I & II has expired during 2012-13 and 2013-14 respectively during the tariff period, this expenditure can be met from special allowance, which had already been opted and allowed to the Appellant by the Central Commission.

8.4.8 We do not find any merit in the contention of the Appellant that the Renovation and Modernization of Unit-I & II are in the range of Rs.1.20 to 1.35 crores/MW for boiler turbine generator and the special allowance is not sufficient for this purpose. Since, the Central Commission had allowed the special allowance on the basis of details furnished by the Appellant at the time of framing of Regulations and once the norms were fixed for any work in the Regulation, subsequently, actuals cannot be claimed as the entire tariff of Appellant is determined on the basis of normative values.

8.5 In view of the above discussion, this issue, being Issue (A), regarding Disallowance of capital expenditure incurred on raising of Ash Dyke, is decided against the Appellant.”

20. Accordingly, in line with the above discussion, the additional capital expenditure for the period 2009-14 for the two units of Stage-I towards deferred works on Ash handling system shall be met by the petitioner from the Special Allowance granted to the generating station. As regards, the claim of the petitioner for additional capitalization during the period 2014-19, the same shall be considered on merits based on the provisions of the 2014 Tariff Regulations applicable for the period 2014-19.

Other Capital works claimed under Regulation 9(2) read with Regulation 44 of the 2009 Tariff Regulations

Lift Pumps

21. The petitioner has claimed additional capital expenditure of ₹4.46 lakh in 2012-13 towards Lift pumps under Regulation 9(2)(ii) read with Regulation 44 of the 2009 Tariff Regulations. In justification, the petitioner has submitted that capitalization against construction of approach road for implementation of Lift Pump works was approved by



the Commission vide order dated 14.6.2012 in Petition No. 222/2009 for the period 2009-14 and due to sudden ingress of sub soil water from nearby Farakka Feeder Canal, the job of lift pump, could not be completed and it shall spill over to next tariff period 2014-19. The petitioner has accordingly requested to allow the same in during 2014-19 period.

22. The respondent, TANGEDCO has submitted that the petitioner in its submissions in Petition No.222/2009 had stated that the installation of lift pump is required to augment water supply to the existing cooling water system which is unable to cater to the cooling water requirement of the generating station due to drop in water level of source feeder canal on account of the revised Indo-Bangla Ganga water sharing agreement. It has further submitted that considering the Indo-Bangla water sharing agreement, the Commission in its order dated 11.6.2012 in Petition No.222/2009 has allowed an expenditure of ₹6810 lakh towards Lift pump works for 2013-14. It has also submitted that no arrangements were made in the tariff block 2009-14 for the cooling water supply. It has further submitted that the petitioner has not furnished the details of alternate cooling water supply arrangement to mitigate the generation loss and therefore, it is assumed that the petitioner is still drawing water from the existing source and the incurrence of expenditure towards lift pump does not arise.

23. The respondents GRIDCO and BRPL have submitted that the Commission may conduct prudence check of the claims and has stated the petitioner may avail the special allowance allowed to generating station to meet the said expenditure. It has also submitted that the expenditure was not projected earlier and hence the same is liable to be rejected. In response, the petitioner has submitted that if the claim has not been



projected earlier the Regulations do not bar the capitalization, if otherwise admissible as per the 2009 Tariff Regulations.

24. We have considered the submissions of the parties. The claim of the petitioner for these items has been considered by the Commission and by order dated 12.11.2014 in Petition No. 233/GT/2013 has disallowed the expenditure. The relevant paras of the order is extracted as under:

“23. We have considered the submissions of the petitioner. The generating station has been allowed an amount of ₹2910.00 lakh as Compensation Allowance in terms of Regulation 19(e) of the 2009 Tariff Regulations, since many of the units are in operation for more than 10 to 25 years from its COD. As the Compensation allowance granted to the generating station is for meeting expenses towards assets of capital nature including assets of minor nature, we are of the view that the expenditure towards construction of approach road to Lift pump house, even presuming that the Lift pump would be installed, in future, should be met from Compensation Allowance allowed to the generating station. Accordingly, the claim of the petitioner for capitalization of ₹11.97 lakh in 2009-10 and ₹0.14 lakh in 2011-12 towards construction of approach road has not been allowed.”

25. Accordingly, in line with above decision contained in the order dated 12.11.2014, we find no reason to allow the said expenditure in exercise of the Power to relax under Regulation 44 of the 2009 tariff Regulations. Accordingly, the claim of the petitioner for additional capital is rejected.

BOBR Wagons

26. The petitioner has claimed actual additional capital expenditure of ₹896.33 lakh in 2013-14 towards Procurement of 21 Wagons during the period. In justification, the petitioner has submitted that procurement of 21 wagons has been done for maintaining required rolling stock against the wagons decapitalised during the year 2009-10 (12 Nos.), 2012-13 (7 nos.) and 35 wagons decapitalised in 2004-09 period. The petitioner has also requested for capitalization of these wagons to maintain the depleted rolling



stock. The petitioner has further submitted the details of decapitalised wagons. The petitioner has claimed decapitalisation of (-)98.57 lakh towards Wagons during the year 2012-13.

27. The respondents UPPCL and BRPL have prayed that the claim of the petitioner may be disallowed. The respondents TANGEDCO has submitted that Regulation 18 of Tariff Regulations, 2009 provides for expenditures to met out from the stock for generation corresponding to the normative Annual Plant Availability factor. In response, the petitioner has submitted that the above mentioned capitalization was not projected in the tariff petition but during the course of time, as this expenditure became necessary for safe and reliable running of the plant.

28. We have considered the submissions of the parties. There is no provision under Regulation 9(2) of the 2009 Tariff Regulations to consider the expenditure claimed by the petitioner for procurement of wagons against replacement of old wagons. The generating station is entitled for compensation allowance in terms of Regulations 19(e) of the 2009 Tariff Regulations to meet the expenses on new assets of capital nature including in the nature of minor assets. It is also noticed that in appeal (Appeal No. 193 of 2013) filed by the petitioner before the Appellate Tribunal for Electricity, the Tribunal vide judgement dated 7.12.2015 has affirmed the said order of the Commission. The relevant portion is extracted as under:

“

29.4 Thus, after going through the provision of the Tariff Regulations, 2009, these expenditures have to be met from the compensation allowance specified in Regulation 19(e) of Tariff Regulations, 2009.

Thus, as seen from the impugned order of the Central Commission and as per the Judgment of this Tribunal, the expenditure met towards procurement of wagons cannot be taken into consideration under additional capital expenditures to determine the capital expenditure and to determine the tariff.



29.5 Thus, we do not find any infirmity in the findings of the Central Commission in the Impugned Order. Thus, these two issues are decided against the Appellant.

29. Accordingly, in the light of above discussions, we are of the view that the expenditure for these assets of capital nature can be met from the Compensation allowance admissible to the generating station. We find no reason to exercise the Power to relax under Regulation 44 to consider the capitalization of the said expenditure and accordingly, the claim of the petitioner is not allowed. As regards decapitalization of wagons, since the assets are no longer in use and do not render any useful service to the generating station, the de-capitalization of (-)₹98.57 lakh has been allowed to be effected during 2012-13.

ABT System for ERP

30. The petitioner has claimed additional capital expenditure of ₹69.09 lakh in 2013-14 towards ABT system for ERP under Regulation 9(2) read with Regulation 44 of the 2009 Tariff Regulations. In justification, the petitioner has submitted that the claim pertains to the balance work of SAP-ERP system allowed by the Commission vide order dated 22.2.2012 for integration of real time meter data into SAP and to facilitate calculation of APC in line with 2014 Tariff Regulations.

31. The respondent, UPPCL has submitted that the expenditure cannot be permitted under any of the provisions of the 2009 Tariff Regulations. The respondent, TANGEDCO has submitted that the petitioner has not furnished the details regarding the necessity of the expenditure and the efficiency increase if any achieved on incurring the expenditure. It has further submitted that since the petitioner has stated that the



expenditure has been incurred in line with the 2014 Tariff Regulations, the same ought to be rejected.

32. We have considered the submissions of the parties. The capitalization of expenditure on ERP amounting to ₹225.54 lakh during 2008-09 was allowed by the Commission vide order dated 22.2.2012 in RP/11/2011. However, the petitioner has claimed the actual expenditure on account of ABT system for ERP incurred during 2013-14 under Regulation 9(2) of the 2009 Tariff Regulations. Thus, the expenditure claimed is on account of balance works allowed during the year 2008-09. The provisions of the 2009 Tariff Regulations do not provide for the capitalization of such expenditure towards balance work to consider the expenditure claimed by the petitioner. It is observed that the generating station is entitled for Compensation allowance in terms of Regulations 19(e) of the 2009 Tariff Regulations to meet the expenses on new assets of capital nature including in the nature of minor assets. Accordingly, we find no reason to allow the Capitalization of such expenditure in exercise of the Power under Regulation 44 of the 2009 Tariff Regulations. Accordingly, the claim of the petitioner under this head is not allowed.

HP Heater for Unit I & II

33. The petitioner has claimed additional capital expenditure of ₹608.64 lakh in 2013-14 towards HP heaters for Unit-I and II of the generating station. The petitioner has submitted that capitalization of HP heaters is done against 2 nos. of HP heaters decapitalised in 2013-14 due to poor performance and replacement of these heaters was necessary for reliable and optimum operation of the plant and to meet heat rate



norms as specified by the Commission. The petitioner has claimed de-capitalization of (-)₹728.28 lakh during 2013-14 on account of replaced heaters.

34. The respondent, UPPCL has submitted that the expenditure is not permissible under the provisions of the 2009 Tariff Regulations. The respondent, TANGEDCO has submitted that the expenditure claimed by the petitioner can be met out from the O&M expenses allowed to the generating station in terms of Regulation 19 of 2009 Tariff Regulations. In response, the petitioner has submitted that that the HP Heaters of Unit I & II were in service since commissioning and the tubes of these HP Heaters, as in other first generation plants of NTPC, are made of carbon steel. It has also submitted that there was problem of frequent tube leakages in these HP Heaters since last 2-3 years and they used to remain out of service due to leakage. It has further submitted that the number of tubes plugged in these HP Heaters is much more than acceptable limit of 10% and the useful life of these first generation HP Heaters using carbon steel tubes is about 15 years. Accordingly, it has submitted that these HP Heaters have already been in service for more than 15 years, they were replaced with new ones having stainless steel tubes, which are being used in later generation projects of the petitioner, to meet the heat rate norms as specified by the Commission.

35. We have considered the submissions of the parties. It is observed that the generating station has been allowed an amount of ₹2910.00 lakh as Compensation Allowance in terms of Regulation 19(e) of the 2009 Tariff Regulations, since many of the units are in operation for more than 10 to 25 years from its COD. As the Compensation allowance granted to the generating station is for meeting expenses towards assets of capital nature including assets of minor nature, we are of the view



that the expenditure towards HP heaters should be met from Compensation Allowance allowed to the generating station. It is further noticed that the petitioner in terms of Regulation 10(4) of the 2009 Tariff Regulations, has opted for Special Allowance of ₹3679.98 lakh during 2012-14 and the same is admissible to the two units of Stage-I of the generating station. As the useful life of the said two units of Stage-I have expired during this tariff period, we do not find any justification to allow the additional capital expenditure for the said units as the same should be met from the Special Allowance. Accordingly, there is no reason to allow the expenditure claimed in exercise of the Power under Regulation 44 of the 2009 Tariff Regulation. In view of this, the actual additional capital expenditure of ₹608.64 lakh for Stage-I has not been allowed. Also the de-capitalization of (-) ₹728.28 lakh has been allowed for the purpose of tariff in 2013-14.

Liability reinstatement for disallowed items

36. The petitioner has excluded an amount of (-) ₹7.69 lakh during 2012-13 towards reinstatement of liabilities of disallowed items and ₹26.65 lakh and ₹222.28 lakh during 2012-13 and 2013-14 towards reinstatement of liabilities for allowed works. This pertains to reinstatement of liability on account of exchange rate variation. As it is being package ERV for allowed works during 2009-14, it is being considered as part of additional capitalization. However, since liability is not discharged during 2009-14 period, the exclusion of reinstatement of liabilities is not considered for the purpose of capitalization.

37. 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)

Reconciliation of additional capital expenditure		2012-13	2013-14
a.	Opening balance of the period for Farakka STPS	336497.27	575056.58
b.	Closing balance of the period for Farakka STPS	575056.58	595738.80
c.	Additional capitalisation as per audited accounts (b - a)	238559.31	20682.22
d.	Additional capitalisation pertaining to Stage - III	238051.71	10063.67
e.	Additional capitalisation pertaining to Katwa project	0.27	0.49
	Additional capitalisation for stage-I & II (c-d-e)	507.33	10618.05
f(i)	Liability included above*	(-)26.65	(-)222.28
f.	Additional capitalisation for stage-I & II (c-d-e)	480.68	10395.77
G	Additional capitalisation claimed as per Form-9	210.59	1167.94
H	Less: Discharge of Liability	291.66	322.10
I	Additional capitalisation claimed on cash basis (g-h)	(-)81.07	845.85
J	Add undischarged liabilities in Additional capitalisation claimed	0.00	138.02
K	Total Additional capitalisation claimed on Gross Basis (i+j)	(-)81.07	983.87
L	Exclusions		
M	Loan FERV	98.78	37.43
N	Liability reinstatement for disallowed items	(-)7.69	
O	Capitalisation of spares	2011.02	3601.26
P	Capitalisation of MBOA	5.37	
Q	Inter Unit Transfer	2.26	(-)0.71
r	Decapitalisation - Not part of Tariff	(-)1139.10	(-)707.46
s	Decapitalisation -Part of Tariff	(-)397.85	(-)236.59
t	Liability Reversal	(-)4.83	(-)180.65
u	CEA Approved R&M Schemes and other Major Works (not Allowed By Hon'ble Commission)	(-)6.21	6898.61
v	Total Exclusions	561.74	9411.19
x	Additional capitalisation for St- I & II (k+v)	480.67	10395.06

(* The petitioner has included liability but not considered for the purpose of additional capitalization. On accrual basis, the liability is indicated in the above table to facilitate reconciliation)

Exclusions

38. 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)		
Exclusions	2012-13	2013-14
Loan FERV	98.78	37.43
Liability reinstatement for disallowed items	(-)7.69	0.00
Capitalisation of spares	2011.02	3601.26
Capitalisation of MBOA (-)	5.37	0.00
Inter Unit Transfer	2.26	(-)0.71
Decapitalisation - Not part of Tariff	(-)1139.10	(-)707.46
Decapitalisation -Part of Tariff	(-)397.85	(-)236.59
Liability Reversal	(-)4.83	(-)180.65
CEA Approved R&M Schemes and other Major Works (not Allowed By Hon'ble Commission)	(-)6.21	6898.61
Total Exclusions	561.74	9411.19

39. The respondents BRPL and GRIDCO have submitted that the petitioner has shown large amount as exclusion items while reconciliation of additional capitalization and gross block figures for the years in this petition.

Loan ERV

40. The petitioner has excluded an amount of ₹98.78 lakh in 2012-13 and ₹37.43 lakh in 2013-14 on account of impact of FERV. As the petitioner has billed FERV directly to the beneficiaries, the exclusion of FERV is in order and has been allowed.

Capitalization of Capital Spares

41. The petitioner has capitalised spares amounting to ₹2011.02 lakh in 2012-13 and ₹3601.26 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.

Capitalization of MBOA items



42. 39.The petitioner has capitalized MBOA items in books of accounts amounting to ₹5.37 lakh in 2012-13. The capitalization of MBOA items after the cut-off-date has not been allowed for the purpose of tariff. Thus, the exclusion of ₹5.37 lakh in 2012-13 are found to be in order and has been allowed.

Inter Unit Transfers

43. An amount of ₹2.26 lakh in 2012-13 and (-)₹0.71 in 2013-14 has been excluded under this head on account of transfer of certain assets. These inter-unit transfers are indicated to be temporary. The Commission while dealing with applications for additional capitalization in respect of other generating stations of the petitioner, has 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 ₹2.26 lakh in 2012-13 and (-) ₹0.71 lakh in 2013-14 on account of inter-unit transfer has been allowed.

De- capitalization of Capital Spares, MBOA and Wagons

44. The petitioner has de-capitalized in books of accounts capital spares, MBOA and Wagons amounting to (-) ₹1139.10 lakh in 2012-13 and (-) ₹707.46 lakh in 2013-14 on account of consumption of these items. The petitioner has submitted that these are not part of capital cost. The exclusion sought on de-capitalization of these items has been examined and it is noticed that they do not form part of capital cost of the generating station. Hence, exclusion of de-capitalization of assets amounting to (-) ₹1139.10 lakh in 2012-13 and (-) ₹707.46 lakh in 2013-14 which do not form part of capital cost is in order is allowed.



45. The petitioner has de-capitalized in books of accounts capital spares, MBOA and Wagons amounting to (-) ₹397.85 lakh in 2012-13 and (-) ₹236.59 lakh in 2013-14 on account of consumption of these items. The petitioner has submitted that these are part of capital cost. The exclusion sought on de-capitalization of these items has been examined and it is noticed that they do form part of capital cost of the generating station. Hence, exclusion of de-capitalization of assets amounting to (-) ₹397.85 lakh in 2012-13 and (-) ₹236.59 lakh in 2013-14 which form part of capital cost is not in order and thus not allowed.

Reversal of liability

46. The petitioner has sought the exclusion amounting to ₹4.83 lakh in 2012-13 and ₹180.65 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 in order.

CEA Approved R&M Schemes and other Major Works (not Allowed By Hon'ble Commission) is allowed.

47. The petitioner has sought the exclusion amounting to (-) ₹6.21 lakh in 2012-13 and ₹6898.61 lakh in 2013-14 towards the R&M schemes not approved by the Commission vide order dated 14.6.2012 during 2009-14 tariff period. The exclusion sought on these items has been examined and it is noticed that they do not form part of capital cost of the generating station. Hence, exclusion of de-capitalization of assets amounting to (-) ₹6.21 lakh in 2012-13 and ₹6898.61 lakh in 2013-14 towards the R&M schemes not approved by the Commission is in order and thus allowed.



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

<i>(₹ in lakh)</i>		
	2012-13	2013-14
Exclusion allowed	986.24	9870.76
Exclusion claimed	588.39	9634.18
Exclusion not allowed	(-)397.85	(-)236.59

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

<i>(₹ in lakh)</i>				
SI No	Head of work	Actual Additional capital expenditure allowed		
		2012-13	2013-14	Total
A	Ash handling system			
1	Ash Dyke raising, Stage-2		0.07	0.07
B	Other Capital Works			
1	Lift Pumps	0.00	0.00	0.00
2	BOBR Wagons (21Nos)		0.00	0.00
3	ABT System for ERP		0.00	0.00
4	HP Heater for Unit I & II		0.00	0.00
B	SubTotal Other Capital Works	0.00	0.00	0.00
	SubTotal- Assets Capitalized	0.00	0.07	0.07
C	De-capitalization			
1	De-capitalisation of HP Heaters		(-)728.28	(-)728.28
2	De-capitalisation of Wagons	(-)98.57		(-)98.57
C	Total De-capitalisation of Assets	(-)98.57	(-)728.28	(-)826.85
	Subtotal- Net Assets Capitalized	-98.57	-728.21	-826.78
	Total Additional capital expenditure	0.00	0.07	0.07
	Total De-capitalisation	(-)98.57	(-)728.28	(-)826.85
	Exclusion Not allowed	(-)397.85	(-)236.59	(-)634.44
	Net Additional capital expenditure allowed excluding discharge of liabilities	(-)496.42	(-)964.80	(-)1461.22



Un-discharged liabilities

50. Out of the un-discharged liabilities deducted as on 1.4.2009, the petitioner has discharged an amount of ₹103.08 lakh, ₹292.68 lakh, ₹311.53 lakh, ₹291.66 lakh, and ₹249.16 lakh and reversed ₹265.09 lakh, ₹47.06 lakh, ₹53.62 lakh, ₹4.83 lakh, and ₹148.62 lakh during the years 2009-10, 2010-11, 2011-12, 2012-13 and 2013-14 respectively. In addition to above discharges and reversals, the petitioner has also discharged (corresponding to the allowed works) amounts of ₹88.56 lakh, ₹3.47 lakh, and ₹72.93 lakh during the years 2010-11, 2011-12 and 2013-14 respectively (all pertaining to period 2009-14) and reversed ₹0.70 lakh during the year 2011-12. The above discharges of liabilities have been allowed during respective years in addition to the additional capital expenditure allowed. Further, the petitioner has claimed ₹13.04 lakh during 2012-13 towards discharge of reinstated liabilities for allowed works. The reversal of liabilities is pertaining to allowed works as submitted by the petitioner and hence considered in the capital cost. However, there is no justification submitted by the petitioner towards the discharge of reinstatement of liabilities. The reinstated liabilities has not been considered for tariff purpose as the petitioner has not submitted any justification towards reinstatement of the same.

	2009-10	2010-11	2011-12	2012-13	2013-14
Un-discharged liabilities as on 1.4.2009 (corresponding to allowed assets)- A	2616.49				
Discharges during the period out of liabilities as on 1.4.2009 (corresponding to allowed assets)- B	103.08	292.68	311.53	291.66	249.16
Reversals during the period out of liabilities as on 1.4.2009 (corresponding to allowed assets)- C	265.09	47.06	53.62	4.83	148.62
Addition during the period 2009-14 (corresponding to allowed assets)- D	92.73	106.00	145.94	26.65	222.28
Discharges during the period out of liabilities added during 2009-14	0.00	88.56	3.47	0.00	72.93



	2009-10	2010-11	2011-12	2012-13	2013-14
(corresponding to allowed assets)- E					
Reversal of liabilities out of liabilities added during 2009-14 (corresponding to allowed assets)- F	0.00	0.00	0.70	0.00	0.00
Discharges of liabilities for the period (B+E)	103.08	381.24	315.00	291.66	322.10

Actual Additional Capital Expenditure:

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

	<i>(₹ in lakh)</i>		
	2012-13	2013-14	Total
Admitted additional capital expenditure allowed	(-)496.42	(-)964.80	(-)1461.22
Add: Discharges of liabilities	291.66	322.10	613.76
Total additional capital expenditure allowed	(-)204.76	(-)642.69	(-)847.45

52. Accordingly, the capital cost considered for the purpose of tariff for the period 2012-14 is as under:

	<i>(₹ in lakh)</i>	
	2012-13	2013-14
Opening Capital Cost	320527.31	320322.55
Add: Additional capital expenditure	(-)204.76	(-)642.69
Closing Capital Cost	320322.55	319679.86
Average Capital Cost	320424.93	320001.20

Debt-Equity Ratio

53. In terms of the provisions of Regulation 12 of the 2009 Tariff Regulations gross loan and equity amounting to ₹163595.38 lakh and ₹156931.94 lakh respectively has been considered after taking into account the position of un-discharged liabilities as on 1.4.2012. Further, the actual/projected additional expenditure approved above has been allocated in debt-equity ratio of 70:30.



Return on Equity

54. The petitioner has considered pre tax ROE of 22.944% for 2012-13 and 23.481% for 2013-14. The respondents, BRPL and GRIDCO have 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:

	<i>(₹ in lakh)</i>	
Return on Equity	2012-13	2013-14
Notional Equity- Opening	156931.94	156870.51
Addition of Equity due to additional capital expenditure	-61.43	-192.81
Normative Equity-Closing	156870.51	156677.70
Average Normative Equity	156901.23	156774.11
Return on Equity (Base Rate) (%)	15.500	15.500
Tax Rate for the year (%)	32.445	33.990
Rate of Return on Equity (Pre Tax) (%)	22.944	23.481
Return on Equity (Pre Tax) annualised	35999.42	36812.13

Interest on loan

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

- (a) Gross normative loan amounting to ₹163595.38 lakh has been considered as on 1.4.2012.
- (b) Cumulative repayment amounting to ₹163595.38 lakh as on 31.3.2012 as considered in order dated 12.11.2014 in Petition No. 233/GT/2013 has been considered as cumulative repayment as on 1.4.2012. The net normative opening loan as on 1.4.2009 works out to 'Nil'.



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

	(₹ in lakh)	
Interest on Loan	2012-13	2013-14
Gross opening loan	163595.37	163452.04
Cumulative repayment of loan up to previous year	163595.37	163452.04
Net Loan Opening	0.00	0.00
Addition due to additional capital expenditure	-143.33	-449.88
Repayment of loan during the year	54.65	30.71
Less: Repayment adjustment on account of de-capitalization	347.50	675.41
Add: Repayment adjustment on account of discharges corresponding to un-discharged liabilities deducted as on 1.4.2009	149.51	194.82
Net Repayment	-143.33	-449.88
Net Loan Closing	0.00	0.00
Average Loan	0.00	0.00
Weighted Average Rate of Interest of loan (%)	6.398	6.407
Interest on Loan	0.00	0.00

Depreciation

57. The cumulative depreciation as on 31.3.2012 as per order dated 12.11.2014 in Petition No. 233/GT/2013 works out to ₹236489.01lakh. 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)	
Depreciation	2012-13	2013-14
Opening Capital Cost	320527.31	320322.55
Add: Additional Capital Expenditure	-204.76	-642.69
Closing Capital Cost	320322.55	319679.86
Average Capital Cost	320424.93	320001.20
Balance useful life	6.43	5.43
Depreciable value (excluding land)@ 90%	287660.33	287278.98
Balance depreciable Value	51171.33	42999.64
Depreciation (annualized)	7958.22	7918.90
Cumulative depreciation at the end	244447.22	252198.24
Less: Cumulative Depreciation adjustment on account of un-discharged liabilities	204.24	274.02
Less: Cumulative Depreciation reduction due to de-capitalization	372.13	660.24
Cumulative depreciation (at the end of the period)	244279.33	251812.02



O&M Expenses

58. O&M expenses as considered in order dated 12.11.2014 in Petition No. 233/GT/2013 has been allowed as under:

(₹ in lakh)		
O&M Expenses	2012-13	2013-14
O&M Expenses	28266.00	29884.00

Interest on Working Capital

59. 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.

60. 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

61. Fuel component in the working capital as considered in order dated 12.11.2014 in Petition No. 233/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	30205.93	30205.93	30288.69	30205.93	30205.93
Cost of secondary fuel oil – two months	383.45	383.45	384.50	383.45	383.45

Maintenance spares

62. Maintenance spares as allowed in order dated 12.11.2014 as stated below, has been considered.

	(₹ in lakh)				
Maintenance Spares	2009-10	2010-11	2011-12	2012-13	2013-14
Maintenance Spares	4784.00	5056.80	5346.80	5653.20	5976.80

Receivables

63. 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)	40274.57	40274.57	40384.92	40274.57	40274.57
Fixed Charges (two months)	13594.70	13897.98	14172.56	14628.30	15246.64
Total	53869.27	54172.55	54557.48	54902.87	55521.22



O&M Expenses

64. O&M expenses for 1 month as allowed in order dated 12.11.2014 is allowed as under:

<i>(₹ in lakh)</i>					
O&M Expenses for 1 Month	2009-10	2010-11	2011-12	2012-13	2013-14
O&M Expenses for 1 Month	1993.33	2107.00	2227.83	2355.50	2490.33

65. 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:

<i>(₹ in lakh)</i>					
	2009-10	2010-11	2011-12	2012-13	2013-14
Coal Stock- 1-1/2 months	30205.93	30205.93	30288.69	30205.93	30205.93
Oil stock-2 months	383.45	383.45	384.50	383.45	383.45
O&M expenses - 1 month	1993.33	2107.00	2227.83	2355.50	2490.33
Spares	4784.00	5056.80	5346.80	5653.20	5976.80
Receivables- 2 months	53869.27	54172.55	54557.48	54902.87	55521.22
Total Working Capital	91235.98	91925.73	92805.29	93500.95	94577.73
Rate of Interest (%)	12.25	12.25	12.25	12.25	12.25
Total Interest on working capital	11176.41	11260.90	11368.65	11453.87	11585.77

Compensation Allowance

66. The Compensation allowance as allowed vide order dated 12.11.2014 remain unchanged.

Special Allowance

67. The Special allowance as allowed vide order dated 12.11.2014 remain unchanged. The petitioner has been allowed 3679.98 lakh as special allowance and accordingly, directed to submit the plan of the utilization along with tariff period for 2014-19 period.



Annual Fixed Charges

68. 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	7127.32	7629.14	7987.70	7958.22	7918.90
Interest on Loan	154.48	16.07	0.00	0.00	0.00
Return on Equity	36349.29	36257.06	35998.04	35999.42	36812.13
Interest on Working Capital	11176.41	11260.90	11368.65	11453.87	11585.77
O&M Expenses	23920.00	25284.00	26734.00	28266.00	29884.00
Secondary fuel oil cost	2300.68	2300.68	2306.98	2300.68	2300.68
Compensation Allowance	540.00	640.00	640.00	610.00	480.00
Special Allowance	0.00	0.00	0.00	1181.60	2498.38
Total	81568.18	83387.85	85035.37	87769.78	91479.86

69. The difference in the annual fixed charges determined by order dated 12.11.2014 and those determined by this order shall be adjusted in accordance with Regulation 6 (6) of the 2009 Tariff Regulations.

70. Petition No. 274/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

