CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI

Petition No.308/GT/2018

Coram:
Shri P.K. Pujari, Chairperson
Dr. M.K. Iyer, Member
Shri I.S. Jha, Member

Date of Order: 5th of February, 2020

In the matter of

Determination of tariff of Uri-II Hydroelectric Project (240 MW) for the period of 2014-19

And

In the matter of

NHPC Ltd
NHPC Office Complex,
Sector-33, Faridabad,
Haryana-121003 **....Petitioner**

Vs

1. Punjab State Power Corporation Ltd
The Mall, Near Kali Badi Mandir,
Patiala – 147 001

2. Haryana Power Purchase Centre
Shakti Bhawan, Sector-6,
Panchkula- 134109

3. Uttar Haryana Bijli Vitran Nigam Limited
Vidyut Sadan, Plot No. C-16, Sector-6
Panchkula- 134109

4. Dakshin Haryana Bijli Vitran Nigam Limited
Vidyut Sadan, Vidyut Nagar,
Hisar- 125005

5. Uttar Pradesh Power Corporation Ltd
Shakti Bhawan, 14, Ashok Marg,
Lucknow – 226 001

6. Engineering Department
UT of Chandigarh, 1st floor, UT Secretariat,
Sector 9D, Chandigarh – 160 009

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

8. BSES Yamuna Power Ltd
Shakti Kiran Building, Karkardooma,
New Delhi – 110 032

9. Tata Power Delhi Distribution Ltd
33 KV Sub-station, Hudson Lane,
Kingsway Camp, Delhi – 110 009

10. Uttarakhand Power Corporation Ltd,
Urja Bhawan, Kanwali Road,
Dehradun – 248001

11. Jaipur Vidyut Vitran Nigam Ltd
Vidyut Bhawan, Janpath,
Jaipur – 302 005

12. Ajmer Vidyut Vitran Nigam Ltd
Old Power House, Hatthi Bhatta,
Jaipur Road, Ajmer – 305 001

13. Jodhpur Vidyut Vitran Nigam Ltd,
New Power House, Industrial Area,
Jodhpur – 342 003

14. Power Development Department,
New Secretariat,
Jammu (J&K) 180001 **…Respondents**

Parties Present:

Shri Rajiv Shankar Dvivedi, Advocate, NHPC
Shri Piyush Kumar, NHPC
Shri M.G Gokhale, NHPC
Shri V.N Tripathi, NHPC
Shri Dhanush. C.K, NHPC
Shri R.B Sharma, Advocate, BRPL & BYPL
Shri Mohit K. Mudgal, Advocate, BRPL & BYPL
Ms. Sonya Sood, Advocate, BRPL & BYPL
Shri Sanjay Srivastava, BRPL

ORDER

This petition has been filed by the Petitioner, NHPC Ltd, for determination of tariff of Uri-II Hydroelectric Project (4 x 60 MW) (the generating station) from 1.4.2014 to 31.3.2019 based on the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014 (“the 2014 Tariff Regulations”).

2. The generating station is a purely a run-of-the-river type project, with no diurnal pondage for peaking, with provision of 10% overloading on continuous basis. The project was sanctioned by the Central Government on 1.9.2005 at a cost of ₹172479 lakh, including IDC and FC of ₹6661 lakh at February 2005 price level, with scheduled date of completion in 51 months from the date of approval. The actual date of commercial operation of the units and the generating station are as under:

Unit-I	11.10.2013
Unit-II	1.12.2013
Unit-III	11.10.2013
Unit-IV/ Generating Station	1.3.2014

Background

3. Petition No. 156/GT/2013 was filed by the Petitioner for determination of tariff of the generating station for the period 2013-14 and the Commission by its order dated 4.2.2016 had determined the tariff for the said period. Thereafter, Petition No. 250/GT/2014 was filed by the Petitioner for determination of tariff of the generating station for the period 2014-19. Since the approval of Revised Cost Estimate (RCE) of the project was pending before the Ministry of Power (MOP), Government of India (GOI), the Commission by order dated 22.7.2016 disposed of the said petition granting liberty to the Petitioner to approach the Commission after approval of RCE. Thereafter, by communication dated 3.7.2018, the Petitioner was advised to file tariff petitions in respect of their generating stations, by enclosing (i) Board approval of the actual cost of the Company and (ii) at least one of the documents namely (a) the DIA report or (b) cost approved by CEA/PIB or (c) cost approved by CCEA.

4. In terms of the liberty granted by the Commission vide order dated 22.7.2016 read with the communication dated 3.7.2018, the Petitioner has filed the present petition along with Petition No. 279/GT/2018 for revision of tariff of the

generating station for the period 2013-14, after truing-up exercise. The Petitioner has submitted that the Board of Directors in its 385th meeting on 29.6.2015 had approved the Revised Cost Estimate (RCE) of the project as ₹229002 lakh. The Petitioner has further submitted that CEA has recommended the project cost of ₹229002 lakh. It has also submitted that based on CEA recommendations, the Standing Committee and PIB has recommended the completion cost of the project as ₹229002 lakh and final approval of RCE is yet to be approved by GOI. The Commission vide its order dated 5.2.2020 in Petition No. 279/GT/2018 had revised the tariff of the generating station for the period 2013-14 after truing-up exercise. Accordingly, the fixed charges determined by the Commission vide its order dated 5.2.2020 is as under:

(₹ in lakh)

	11.10.2013 to 30.11.2013 (2 Units)	**1.12.2013 to 28.2.2014 (3 Units)**	**1.3.2014 to 31.3.2014 (All 4 Units)**
Return on Equity	880.32	2335.59	1085.81
Interest on Loan	1036.88	2707.16	1255.48
Depreciation	764.66	2028.57	942.91
Interest on Working Capital	76.46	201.86	93.79
O & M Expenses	298.88	792.63	368.83
Total	**3057.20**	**8065.80**	**3746.81**

5. This petition has been filed by the Petitioner for determination of tariff of the generating station for the period 2014-18, on actual basis, and for 2018-19 on projection basis. Accordingly, the capital cost and the annual fixed charges claimed by the Petitioner for the said period are as under:

Capital cost

(₹in lakh)

	2014-15	**2015-16**	**2016-17**	**2017-18**	**2018-19**
Opening Capital Cost	217956.15	218600.32	224622.42	227317.55	228734.97
Add: Net addition	2677.23	5562.56	1880.30	905.86	6402.97
Less: De-capitalization	6810.35	6.90	2.23	0.18	0.00
Add: Discharge of liability	4777.29	466.43	817.05	511.74	69.76
Closing Capital Cost	**218600.32**	**224622.42**	**227317.55**	**228734.97**	**235207.70**

Annual Fixed Charges

(₹ in lakh)

	2014-15	2015-16	2016-17	2017-18	2018-19
Depreciation	11151.74	11297.79	11522.78	11640.74	11833.11
Interest on Loan	13572.57	12637.03	11426.44	9230.24	8450.20
Return on Equity	12972.93	13202.94	13356.18	13568.02	13749.87
Interest on Working Capital	1240.84	1235.73	1365.79	1349.91	1377.57
O & M Expenses	6754.24	6894.95	9596.14	10086.33	10756.06
Total	**45692.32**	**45268.45**	**47267.34**	**45875.23**	**46166.82**

6. Reply has been filed by Respondent UPPCL vide its affidavit dated 11.10.2018, Respondent PSPCL vide its affidavit dated 15.3.2019 and the Respondent BRPL vide its affidavit dated 12.7.2019. Rejoinder to the said replies have been filed by the Petitioner vide affidavits dated 29.3.2019, 9.5.2019 and 24.7.2019 respectively. The Commission after hearing the parties on 27.8.2019, reserved its order in the petition.

Capital Cost

7. Clause (1) of Regulation 9 of the 2014 Tariff Regulations provides that the capital cost as determined by the Commission after prudence check in accordance with this regulation shall form the basis of determination of tariff for existing and new projects. Clause (3) of Regulation 9 provides as under:

> *"9(3) The Capital cost of an existing project shall include the following: (a) the capital cost admitted by the Commission prior to 1.4.2014 duly trued up by excluding liability, if any, as on 1.4.2014;*
> *(b) xxxx*
> *(c) xxxx"*

8. The capital cost as on 31.3.2014 considered by the Commission vide its order dated 5.2.2020 in Petition No.279/GT/2018 is ₹217506.67 lakh. This has been considered as the opening capital cost as on 1.4.2014.

Discharge/Reversal of liabilities

9. The Petitioner has claimed following discharge/reversal of liabilities during the period 2014-19:

(₹ in lakh)

	2014-15	2015-16	2016-17	2017-18	2018-19
Discharge of liabilities	4777.29	466.43	817.05	511.74	69.76
Reversal of liabilities	0.00	0.00	0.00	0.00	1.77
Total	**4777.29**	**466.43**	**817.05**	**511.74**	**71.52**

10. The year-wise discharge of liabilities has been allowed as claimed in Form-16. However, the year-wise reversals of liabilities have not been allowed. The Petitioner is directed to submit the reconciliation statement showing details of such liabilities as per balance sheet for the period 2014-19, duly certified by auditor and also furnish the break-up of discharges included in the liabilities discharged within the original scope of work or other than within the original scope of work of the project, at the time of truing-up exercise.

Additional Capital Expenditure for 2014-19

11. Clause (3) of Regulation 7 of the 2014 Tariff Regulations provides that the application for determination of tariff shall be based on admitted capital cost including any additional capital expenditure already admitted upto 31.3.2014 (either based on actual or projected additional capital expenditure) and estimated additional capital expenditure for the respective years of the tariff period 2014-19.

12. Regulation 14 of the 2014 Tariff Regulations provides as under:

"14. Additional Capitalization and De-capitalization:

(1) The capital expenditure in respect of the new project or an existing project 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 recognized to be payable at a future date;

(ii) Works deferred for execution;

(iii) Procurement of initial capital spares within the original scope of work, in accordance with the provisions of Regulation 13;

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

(v) Change in law or compliance of any existing law:

Provided that the details of works asset wise/work wise included in the original scope of work along with estimates of expenditure, liabilities recognized to be payable at a future date 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 in respect of the new project on the following counts within the original scope of work after the cut-off date may 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 of law;

(ii) Change in law or compliance of any existing law;

(iii) Deferred works relating to ash pond or ash handling system in the original scope of work; and

(iv) Any liability for works executed prior to the cut-off date, after prudence check of the details of such un-discharged liability, total estimated cost of package, reasons for such withholding of payment and release of such payments etc.

(3) The capital expenditure, in respect of existing generating station or the transmission system including communication system, incurred or projected to be incurred on the following counts after the cut-off date, may 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 of law;

(ii) Change in law or compliance of any existing law;

(iii) Any expenses to be incurred on account of need for higher security and safety of the plant as advised or directed by appropriate Government Agencies of statutory authorities responsible for national security/internal security;

(iv) Deferred works relating to ash pond or ash handling system in the original scope of work;

(v) Any liability for works executed prior to the cut-off date, after prudence check of the details of such un-discharged liability, total estimated cost of package, reasons for such withholding of payment and release of such payments etc.;

(vi) Any liability for works admitted by the Commission after the cut-off date to the extent of discharge of such liabilities by actual payments;

(vii) Any additional capital expenditure which has become necessary for efficient operation of generating station other than coal / lignite based stations or transmission system as the case may be. The claim shall be substantiated with the technical justification duly supported by the documentary evidence like test results carried out by an independent agency in case of deterioration of assets, report of an independent agency in case of damage caused by natural calamities, obsolescence of technology, up- gradation of capacity for the technical reason such as increase in fault level;

(viii) 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) and due to geological reasons after adjusting the proceeds from any insurance scheme, and expenditure incurred due to any additional work which has become necessary for successful and efficient plant operation;

(ix) 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 due to obsolesce of technology, replacement of switchyard equipment due to increase of fault level, tower strengthening, communication equipment, emergency restoration system, insulators cleaning infrastructure, replacement of porcelain insulator with polymer insulators, replacement of damaged equipment not covered by insurance and any other expenditure which has become necessary for successful and efficient operation of transmission system; and

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

Provided that any expenditure on acquiring the minor items or the assets including tools and tackles, furniture, air-conditioners, voltage stabilizers, refrigerators, coolers, computers, 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. 1.4.2014:

Provided further that any capital expenditure other than that of the nature specified above in (i) to (iv) in case of coal/lignite based station shall be met out of compensation allowance:

Provided also that if any expenditure has been claimed under Renovation and Modernisation (R&M), repairs and maintenance under (O&M) expenses and Compensation Allowance, same expenditure cannot be claimed under this regulation."

13. The Petitioner, in Form- 9C, has submitted the reconciliation statement of the actual additional capital expenditure as against capital additions as per books of accounts for the period 2014-18 as under:

(₹ in lakh)

	2014-15	**2015-16**	**2016-17**	**2017-18**
Closing Gross Block	208933.74	216584.16	223426.02	224355.35
Less: Opening Gross Block	212770.99	208933.74	216584.16	223426.02
Total additions as per books	(-) 3837.25	7650.42	6841.87	929.33
Less: Additions pertaining to other Stages	0.00	0.00	0.00	0.00
Net Additions pertaining to instant project/Unit/Stage	0.00	0.00	0.00	0.00
Less: Exclusions (items not allowable / not claimed)	2.86	6.46	-	(-) 5.17
Net Additional Capital Expenditure claimed	(-) 3840.11	7643.96	6841.87	934.50
Un-discharged liability	**292.99**	**2088.30**	**4963.79**	**28.81**
Net Additional Capital Expenditure claimed excluding un-discharged liability	**(-) 4133.10**	**5555.66**	**1878.08**	**905.69**

14. The Petitioner has claimed capital cost based on actual additional capital expenditure for 2014-18 and projected additional capital expenditure for 2018-19 as under:

(₹ in lakh)

	2014-15	2015-16	2016-17	2017-18	2018-19
Opening Capital Cost (a)	217956.15	218600.32	224622.42	227317.55	228734.97
Addition during the year/ period on accrual basis (b)	2970.22	7650.85	6844.10	934.67	6402.97
Un-discharged liability in above (c)	292.99	2088.30	4963.79	28.81	0.00
Net additions as per books kept under Exclusions/not claimed for tariff purpose (d)	2.86	6.46	0.00	-5.17	0.00
Net additions claimed on cash basis for 2014-18 and projected basis for 2018-19 (e)=(b)-(c)	2677.23	5562.55	1880.31	905.86	6402.97
De-capitalisation during the year / period (f)	6810.35	6.90	2.23	0.18	**0.00**
Discharge of liabilities during the year / period (g)	4777.29	466.43	817.05	511.74	69.76
Net additional capital expenditure claimed (h)=(e)-(f)+(g)	644.18	6022.09	2695.13	1417.42	6472.73
Closing Capital Cost (i)=(a)+(h)	**218600.32**	**224622.42**	**227317.55**	**228734.97**	**235207.69**

15. The year-wise break-up of the actual additional capital expenditure for period 2014-18 and projected additional capital expenditure for 2018-19, including discharge of liabilities, as claimed by the Petitioner, in terms of the provisions of Regulation 14(1) & 14(3) of the 2014 Tariff Regulations, are as under:

(₹ in lakh)

	2014-15	2015-16	2016-17	2017-18	2018-19	Total
Add : Addition during the year / period (a)	2677.23	5562.56	1880.30	905.86	6402.97	**17428.92**
Less : De-capitalization during the year / period (b)	6810.35	6.90	2.23	0.18	0.00	**6819.65**
Add : Discharges during the year / period (c)	4777.29	466.43	817.05	511.74	69.76	**6642.28**
Net additional capital expenditure (d)= (a)-(b)+(c)	**644.18**	**6022.09**	**2695.13**	**1417.42**	**6472.73**	**17251.54**

16. The Commission vide its order dated 5.2.2020 in Petition No. 279/GT/2018 has allowed the capital expenditure of ₹205223.17 lakh (closing capital cost as on 31.3.2014 of ₹217506.67 lakh – NIDC of ₹12283.50 lakh) as on 31.3.2014, for assets/works within the original scope of work of project and ₹23759.00 lakh [(₹229002 lakh RCE recommended by the Standing Committee/PIB and considered by the Commission) - (₹19.83 lakh Financing Charges disallowed by Commission) – (₹205223.17 lakh)] as the balance available for consideration in respect of expenditure towards assets/works within the original scope of work of the project.

17. With regard to additional capital expenditure during 2014-19, the petitioner has submitted that the Power station was supposed to complete all works defined in original scope of work/ RCE and purchase all initial spares within cut-off date. However, due to reasons beyond control of Petitioner, there is spillage of expenditure beyond cut-off date. The Petitioner has prayed for allowing the spillage of such essential expenditure (within the original scope of work and initial spares) beyond the cut-off date (31.3.2017) and has also requested to allow the extension of cut-off date uptil 2018-19. It is pertinent to mention that the additional capital expenditure claimed by the Petitioner in respect of assets/works within the original scope of work and initial spares beyond the cut-off date has been considered within the balance available limit of ₹23759 lakh, as mentioned in para 16 above.

18. The Respondent BRPL has submitted that the claim for additional capitalization under the provisions of Regulation 14(3) of the 2014 Tariff Regulations are liable to be rejected on prudence check, as the details furnished by the Petitioner are sketchy and do not justify the expenditure incurred by the Petitioner for the following reasons:

(i) Regulation 14(3)(i) deals with the 'liabilities to meet the award of arbitration or for compliance of the order or decree of a Court of Law'. The Petitioner had included the adjustment of various advances made and the claim of State Authorities which is not permissible under this head.

(ii) Regulation 14(3)(iii) deals with the expenses to be incurred on account of need for higher security and safety of the plant as advised or directed by appropriate Government Agencies or statutory authorities responsible for national security/ internal security. The Petitioner had included the amount under this head which is not permissible, except installation of CCTV and construction of the boundary wall which has been advised by the CISF.

(iii) Regulation 14(3)(v) deals with any liability for works executed prior to the cut-off date. Under this regulation, the emphasis is that the work is executed before the cutoff date but the liability or part liability is discharged after the cut-off date. In all such cases whether related to contractual disputes or on receipt of the utilization certificate, the Petitioner is required to certify that the work was completed before the cut-off date and the liability or part liability is discharged.

(iv) Regulation 14(3)(viii) deals with any necessary expenditure arising out of the damage caused by natural calamities and expenditure necessary for successful and efficient plant operation after the cutoff date. The Petitioner has claimed additional capitalization under this head, without any whisper of the fact that any damage has been caused by natural calamities and due to geological reasons after the cutoff date due to which additional work has become necessary for successful and efficient plant operation.

Accordingly, the Respondent has submitted that claim of the Petitioner is liable to be rejected.

19. The Petitioner in its rejoinder to the above reply has clarified that proper justification along with item-wise details have been furnished in respect of the additional capital expenditure claimed during the period 2014-19. It has also submitted that the entire claim made under Regulation 14(3) (iii) of the 2014 Tariff Regulations relate to the safety and security of the plant in terms of the directions of the appropriate governmental authorities.

Analysis & Decision

20. Based on the submissions of the parties and documents available on record, we examine the additional capital expenditure claimed by the Petitioner, on prudence check, as stated in the subsequent paragraphs.

2014-15

21. The additions claimed by the Petitioner in net additional capital expenditure for 2014-15, on cash basis, are as under:

(₹ in lakh)

Head	Amount
Items allowed by Commission **(a)**	2529.37
Items capitalized during the year which were allowed by Commission in different financial years **(b)**	34.18
Items additionally claimed as per actual site requirement **(c)**	113.68
Sub-total (d)=(a)+(b)+(c)	**2677.23**
Discharge of liabilities **(e)**	4777.29
Total (d) +(e)	**7454.52**

(a) Items allowed by Commission

22. The Petitioner has claimed additional capital expenditure of ₹2529.37 lakh in 2014-15 in respect of assets/works under the head, Balance major civil works such as Open Channel and desilting basin, Fore bay silt flushing and surplus escape, HRT Adits, Pressure shaft and penstock, Pothead yard, Downstream Surge Gallery, Power House Complex, DAM, Building Works, Power House Roads, Bridges etc. It is observed that the expenditure in respect of these assets/works, which form part of the original scope of work of the project, were allowed by the Commission, on projection basis, for the period 2014-15 in its order dated 22.7.2016 in Petition No. 250/GT/2014. In view of this and since the expenditure falls within the balance limit of the completion cost of ₹23759 lakh, the actual additional capital expenditure of ₹2529.37 lakh claimed by the Petitioner in respect of the assets/works within the original scope of work and within the cut-off date is allowed.

(b) Items capitalized during the year which were allowed by Commission in different financial years

23. The Petitioner has claimed additional capital expenditure of ₹34.18 lakh in 2014-15 in respect of assets/works which includes Residential building, Construction of workshop/store at Nowpora/ Salamabad, Recreation facility, Medical equipment for dispensary, purchase of 25 HP Submersible pump, Misc. works etc. It is observed that the expenditure in respect of these assets/works, which form part of the original scope of work of the project, were allowed by the Commission, on projection basis, for the period 2014-15 in its order dated 22.7.2016 in Petition No. 250/GT/2014. However, the same has been capitalized in this year. In view of this and since the expenditure fall within the balance limit of the completion cost of ₹23759 lakh, the actual additional capital expenditure of ₹34.18 lakh is allowed.

(c) Items additionally claimed as per actual site requirement

24. The Petitioner has claimed actual additional capital expenditure of ₹113.68 lakh towards item namely, 'diesel used in dewatering'. In justification of the same, the Petitioner has stated that during the commissioning of the Power House of the project, dewatering of seepage water was carried out by the Petitioner with the help of diesel generator sets, due to the non-availability of power supply in power house. The Petitioner has also stated that though the expenditure pertains to the commissioning period only, the same has been capitalized in 2014-15. Considering the fact that the expenditure, which is contingency based, relate to the commissioning period of the project, the same is being allowed.

25. In view of the above, the total additional capital expenditure of ₹2677.23 lakh (₹2529.37 lakh + ₹34.18 lakh + ₹113.68 lakh) is allowed in 2014-15.

26. Accordingly, the balance limit available in respect of assets/works within the original scope of work of the project is as under:

(₹ in Lakh)

Balance limit available for assets/works within the original scope of work of the project (*as per para 16 above*) as on 1.4.2014 **(a)**	23759.00
Expenditure allowed for assets/works within the original scope of work of the project (b)	2563.55
Expenditure for assets/works claimed under the Regulation 14 (3)(viii) but expenditure allowed/accounted under assets/works within the original scope of work of the project (c)	--
Discharge of liabilities for assets/works within the original scope of work of the project (d)	4777.29
Total expenditure allowed for expenditure for assets/works within the original scope of work of the project in 2014-15 **(e)=(b)+(c)+(d)**	7340.84
Balance limit available for assets/works within the original scope of work of the project as on 31.3.2015 (f)=(a)-(e)	**16418.16**

2015-16

27. The additions claimed by the Petitioner in net additional capital expenditure for 2015-16, on cash basis, are as under:

(₹ in lakh)

Heads	Amount
Items allowed by Commission **(a)**	486.20
Items capitalized during the year which were allowed by Commission in different financial years **(b)**	2266.93
Items additionally claimed as per actual site requirement **(c)**	2809.43
Sub-total (d)=(a)+(b)+(c)	**5562.56**
Discharge of liabilities **(e)**	466.43
Total (d) +(e)	**6028.99**

(a) Items allowed by Commission

28. The Petitioner has claimed additional capital expenditure of ₹486.20 lakh in 2015-16 in respect of assets/works under this head towards Balance major civil works such as Power House, TRT Outlet, Surge Shaft area, Building works, Roads, Bridges, HM works, Plants and Equipment etc. It is observed that the expenditure in respect of these assets/works, which form part of the original scope of work of the project, were allowed by the Commission, on projection basis, for the period 2015-16 in its order dated 22.7.2016 in Petition No. 250/GT/2014. In view of this

and since the expenditure falls within the balance available limit of the completion cost of ₹16418.16 lakh as on 1.4.2015, the same is allowed.

(b) Items capitalized during the year which were allowed by Commission in different financial years

29. The Petitioner has claimed additional capital expenditure of ₹2266.93 lakh in 2015-16 in respect of the assets/works under this head, namely Providing wearing coat over existing internal WBM roads at Nowpora/Salamabad, Suspended ceiling in Transformer hall, Residential building Field hostel, Non-executive club, Community hall, security post and gate at MAT road, Construction of Bank & Post office, Plunge pool Left Bank protection, Fire tender, Ambulance (fully equipped), Buses, Truck, TV Sets, Firewall- Networking Security, Expansion of EPABX Nowpora colony and other telephone accessories, DGA testing instrument etc.

30. It is noticed that the expenditure in respect of these assets/works claimed under the head were allowed by the Commission on projection basis for the period 2014-15 vide order dated 22.7.2016 in Petition No. 250/GT/2014. However, the same has capitalized in this year. It is further noticed that the assets/works claimed are within the original scope of the project. In view of this and since the expenditure falls within the balance available cost limit of ₹16418.16 lakh, as on 1.4.2015, the same is allowed.

(C) Items additionally claimed as per actual site requirement

31. The Petitioner has claimed actual additional capital expenditure of ₹2809.43 lakh in 2014-15 under this head. Based on the justification furnished, the admissibility of the claim, based on prudence check, is as under:

(₹ in lakh)

Sl. NO.	Head of Work / Equipment	Amount Claimed	Justification	Reason for admissibility
1	Construction of accelerograph room/ accelerograph system along with all accessories / providing all services i.e. transportation for delivery at site, insurance, installation, testing & commissioning and comprehensive AMC of accelerographs system at dam site for Uri-ii power station	11.52	For the safety of dam, accelerograph is installed at Dam site to measure earthquake. This expenditure is part of RCE under the head O-Miscellaneous (Seismological observations).	The assets/works claimed form part of the RCE amount recommended by the Standing Committee/ PIB and allowed by the Commission in order dated 5.2.2020 in Petition No. 279/GT/2018 for the period 2013-14. Moreover, the expenditure claimed in respect of the work is within the cut-off date and is within the balance available limit of ₹ 16418.16 lakh. Hence, the expenditure is allowed under Regulation 14 (3) (iii) of the 2014 Tariff Regulations
2	Lot-2 HM Works	49.25	Differential payments amounting to Rs.120.23 Lacs related to various parts of major HM work package have been capitalized at the time of finalization of major work. These are part of the balance HM works of RCE.	
3	Replacement of XLPE Cable damaged due to Fire incident in 2014-15	2748.66	Replacement of XLPE Cable damaged in Fire incident during 2014-15. de-capitalization value of damaged XLPE cable is appeared in Form-9B(i) of 2014-15	The expenditure is allowed on replacement basis. The de-capitalized value of Rs.6126.96 lakh towards the old asset is considered under 'Deletions'.
	Total claimed	**2809.43**		
	Total allowed			**2809.43**

32. Accordingly, the total additional capital expenditure of ₹5562.56 lakh (₹486.20 lakh + ₹2266.93 lakh + ₹2809.43 lakh) is allowed in 2015-16.

33. In view of above, the balance limit available in respect of assets/works within the original scope of work of the project is as under:

(₹ in lakh)

Balance limit available for assets/works within the original scope of work of the project (*as per para 26 above*) as on 1.4.2015 **(a)**	16418.16
Expenditure allowed for assets/works within the original scope of work of the project (b)	2753.13
Expenditure for assets/works claimed under the Regulation 14 (3)(viii) but expenditure allowed/accounted under assets/works within the original scope of work of the project (c)	60.77
Discharge of liabilities for assets/works within the original scope of work of the project (d)	466.43
Total expenditure allowed for expenditure for assets/works within the original scope of work of the project in 2015-16 **(e)=(b)+(c)+(d)**	3280.33
Balance limit available for assets/works within the original scope of work of the project as on 31.3.2016 (f)=(a)-(e)	**13137.83**

2016-17

34. The additions claimed by the Petitioner in net additional capital expenditure for 2016-17, on cash basis, are as under:

(₹ in lakh)

Heads	Amount
Items allowed by Commission **(a)**	116.15
Items capitalized during the year which were allowed by Commission in different financial years **(b)**	1760.91
Items additionally claimed as per actual site requirement **(c)**	3.24
Sub-total (d)=(a)+(b)+(c)	**1880.30**
Discharge of liabilities **(e)**	817.05
Total (d) +(e)	**2697.35**

(a) Item allowed by the Commission

35. The Petitioner has claimed additional capital expenditure of ₹116.15 lakh in 2016-17 in respect of the assets/works such as Building works, Roads, Plants and equipment, HM Works, etc. It is observed that the expenditure in respect of these assets/works, which form part of the original scope of work of the project, were allowed by the Commission, on projection basis, for the period 2016-17 in its order dated 22.7.2016 in Petition No. 250/GT/2014. However, the same has been capitalized in this year. In view of this and since the expenditure falls within the balance available cost limit of ₹13137.83 lakh as on 1.4.2016, the same is allowed.

(b) Items capitalized during the year which were allowed by Commission in different financial years

36. The Petitioner has claimed additional capital expenditure of ₹1760.91 lakh in 2016-17 in respect of assets/works which include Gate at TC Hall entrance, Gate at main access tunnel entrance and DSSG, Protection of DTGH /MAT area, Construction of administrative block, Construction of boundary wall for Office building at Nowpora, Residential building Field hostel, Community hall, Plunge Pool Right Bank protection, Plunge Pool Left Bank protection, Right Bank protection work above 1300 EL, Water Tanker (10/12 KL) - 1 No., CCTV camera & Monitoring equipment etc. It is observed that the expenditure in respect of these assets/works, which form part of the original scope of work of the project, were allowed by the Commission, on projection basis, for the period 2014-15 & 2015-16 in its order dated 22.7.2016 in Petition No. 250/GT/2014. However, the same has been capitalized in this year. In view of this and since the expenditure falls within the balance available cost limit of ₹13137.83 lakh as on 1.4.2016, the same is allowed.

(c) Items additionally claimed as per actual site requirement

37. The Petitioner has claimed actual additional capital expenditure of ₹3.24 lakh in 2016-17 under this head. Based on the justification furnished, the admissibility of the claim, based on prudence check, is as under:

(₹ In lakh)

Sl. No	Head of Work / Equipment	Actual claimed	Justification	Reason for admissibility
1	Construction of accelerograph room / accelerograph system along with all accessories / providing all services i.e. Transportation for delivery at site, insurance, installation, testing & commissioning and	2.22	For the safety of Dam, accelerograph was installed at Dam site during 2015-16 to measure earthquake. The cost of accelerogaph room is capitalized during 2016-17. This	The assets/works claimed form part of the RCE amount recommended by the Standing Committee/ PIB and allowed by the Commission

	comprehensive amc of accelerographs system at dam site for Uri-ii power station		expenditure is part of RCE under the head O-Miscellaneous (Seismological observations).	in order dated 5.2.2020 in Petition No. 279/GT/2018 for the period 2013-14. Moreover, the expenditure claimed in respect of the work is within the cut-off date and is within the balance available limit of ₹13137.83 lakh as on 1.4.2016. Hence, the expenditure is allowed under Regulation 14 (3) (iii) of the 2014 Tariff Regulations
2	Lot-2 HM Works	1.02	An amount of Rs. 24.38 lacs has been capitalized as part of Major HM Work Package. This is the balance major HM works covered in RCE.	
	Total claimed	**3.24**		
	Total allowed			**3.24**

38. Accordingly, total additional capital expenditure of ₹1880.30 lakh (₹116.15 lakh + ₹1760.91 lakh + ₹3.24 lakh) is allowed in 2016-17.

39. In view of above, the balance limit available in respect of assets/works within the original scope of work of the project is as under:

(₹ in lakh)

Opening Limit available for expenditure for assets/works under original scope of the project (*as per para 33 above*) as on 1.4.2016 **(a)**	13137.83
Expenditure allowed for assets/works under original scope of the project **(b)**	1877.06
Expenditure for assets/works claimed under the Regulation 14 (3)(viii) but expenditure allowed/accounted under assets/works under original scope of the project in this order**(c)**	3.24
Discharge of liabilities considered for assets/works under original scope. **(d)**	817.05
Total expenditure allowed for expenditure for assets/works under original scope of the project during 2016-17 **(e)=(b)+(c)+(d)**	2697.35
Balance limit for expenditure for assets/works under original scope of the project as on 31.3.2017 (f)=(a)-(e)	**10440.48**

2017-18

40. The additions claimed by the Petitioner in net additional capital expenditure for 2017-18, on cash basis, are as under:

(₹ in lakh)

Heads	Amount
Items allowed by Commission **(a)**	21.46
Items capitalized during the year which were allowed by Commission in different financial years **(b)**	790.31
Items additionally claimed as per actual site requirement **(c)**	94.09
Sub-total (d)=(a)+(b)+(c)	**905.86**
Discharge of liabilities **(e)**	511.74
Total (d) +(e)	**1417.60**

(a) Items allowed by the Commission

41. The Petitioner has claimed additional capital expenditure of ₹21.46 lakh in 2017-18 towards the Construction of side protection and road pavement work from Salamabad office to Dam. It is noticed that the expenditure for the said work claimed by the Petitioner was allowed by the Commission on projection basis in 2017-18 in order dated 22.7.2016 in Petition No. 250/GT/2014, under Regulation 14(3)(viii) of 2014 Tariff Regulations. However, the same has been capitalized in this year. Considering the fact that the asset/work is necessary for the security of generating station and would facilitate in the efficient operation of the generating station, the claim of the Petitioner for ₹21.46 lakh is allowed.

(b) Items capitalized during the year which were allowed by Commission in different financial years

42. The Petitioner has claimed additional capital expenditure of ₹790.31 lakh in 2017-18 towards assets/works namely, Protection of DTGH /MAT area, Construction of VIP guest house, Bench development for CISF accommodation, Providing Parking sheds at Nowpora/Salamabad, Internal electrification of Permanent Buildings-Residential, Plunge Pool Right Bank protection, Plunge Pool Left Bank protection, Spares for Brake and Jack System including pump motor set , Spares of Governor (Hydraulic part) and OPU system, Spares for Excitation System including electronic cards, Spares of Control and Protection system including relays, Spares for EOT cranes, External illumination of Nowpora Colony and

Salamabad Complex, Purchase of furniture and fixtures for Offices, Guest House and Field Hostel., BP Head Gear, Riot Drill Equipments, Residential Building, Providing platforms / retaining walls / protection works for Nowpora / Salamabad etc), Providing platforms / retaining walls / protection works for Nowpora / Salamabad, Residential Building, Main water supply arrangement at project Headquarters/Colony/Dam/Power House area, Quality control Laboratory/ equipment, Workshop Equipment etc. This also includes expenditure on mandatory spares/initial spares of ₹133.93 lakh. It is noticed that the assets/works claimed above, which are within the original scope of work of the project, was allowed by the Commission, on projection basis, in its order dated 22.7.2016 in Petition No. 250/GT/2014 during the period 2014-16. However, the same has been capitalized in this year. Considering the fact that the above assets/works were allowed by the Commission and the said expenditure, including mandatory spares/Initial spares of ₹133.93 lakh is within the balance available cost limit of ₹10440.48 lakh as on 1.4.2017, the same is allowed.

(c) Items additionally claimed as per actual site requirement

43. The Petitioner has claimed actual additional capital expenditure of ₹94.09 lakh in 2017-18 under this head. Based on the justification furnished, the admissibility of the claim, based on prudence check, is as under:

(₹ in lakh)

Sl. No	Head of Work / Equipment	Amount claimed	Justification	Reason for admissibility
1	Construction of shopping complex at Uri-ii residential cum office complex, Nowpora, Uri (J&K)	0.61	The major part of the item has already been capitalized on COD. The expenditure incurred on this account is due to change in the rate of WCT applicable in the state of J&K.	The expenditure is towards balance payments for the items already allowed. Hence, the expenditure is allowed under Regulation 14(3) (vi) of the 2014 Tariff Regulations
2	Construction of accelerograph room / accelerograph system	0.02	This is a part of RCE under item Seismological	The assets/works claimed form part of the RCE amount

	along with all accessories / providing all services i.e. Transportation for delivery at site, insurance, installation, testing & commissioning and comprehensive amc of accelerographs system at dam site for Uri-ii power station		observations (O-Miscellaneous).	recommended by the Standing Committee/ PIB and allowed by the Commission in order dated 5.2.2020 in Petition No. 279/GT/2018 for the period 2013-14. Moreover, the expenditure claimed in respect of the work is within the cut-off date and is within the balance available limit of ₹23759 lakh. Hence, the expenditure is **allowed** under Regulation 14 (3) (iii) of the 2014 Tariff Regulations
3	Construction of view cutters for the bridge connecting Salamabad complex and field hostel.	2.74	As per IB recommendation.	Since the additional capital expenditure claimed is on account of safety of the plant, the expenditure is **allowed** under Regulation 14(3) (iii) of the 2014 Tariff Regulations. However, the Petitioner is directed to furnish the documentary evidence in support of its claim at the time of truing up of tariff.
4	Arms & ammunitions for CISF	52.99	As per MOU signed between NHPC & CISF.	
5	E&M Works: Feeder disconnector with accessories.	37.72	Unit-II tripped on Date 27.09.2016 due to high intensity flash occurred on moving assembly of Unit side disconnector including insulated closed cone and current conducting part of GIS. For urgent rectification of problem in order to save generation loss, one no. Feeder disconnector with accessories was procured from OEM i.e. M/s GE T&D India Ltd.	This asset/work is necessary for successful and efficient operation of the plant. Considering the nature of the assets/works claimed, these items should have form part of the original scope of work of the project. Moreover, the expenditure claimed is within the balance available cost limit of ₹10440.48 lakh as on 1.4.2017. In view of this, the expenditure is allowed and the same is accounted in the balance limit of capital cost within the original scope of work amounting to ₹23759 lakh
	Total claimed	**94.09**		
	Total allowed			**94.09**

Accordingly, the total additional capital expenditure of ₹905.86 lakh (₹21.46 lakh + ₹790.31 lakh + ₹94.09 lakh) is allowed in 2017-18.

44. In view of the above, the balance limit available in respect of assets/works under original scope of the project works out to be as under:

(₹ in lakh)

Opening balance limit available for expenditure for assets/works under original scope of the project (*as per para 39 above*) as on 1.4.2017 **(a)**	10440.48
Expenditure allowed for assets/works under original scope of the project **(b)**	811.77
Expenditure for assets/works claimed under the Regulation 14 (3)(viii) but expenditure allowed/accounted under assets/works under original scope of the project in this order **(c)**	37.74
Discharge of liabilities considered for assets/works under original scope. **(d)**	511.74
Total expenditure allowed for expenditure for assets/works under original scope of the project during 2017-18 **(e)=(a)+(c)+(d)**	1361.25
Balance limit for expenditure for assets/works under original scope of the project as on 31.3.2018 (f)=(a)-(e)	**9079.23**

2018-19

45. The projected additional capital expenditure claimed by the Petitioner in 2018-19 is as under:

(₹ In lakh)

Heads	Amount
(a)Items capitalized during the year which were allowed by Commission in different financial years	4559.97
(b) Items additionally claimed as per actual site requirement	1843.00
Sub-total (c)=+(a)+(b)	**6402.97**
Discharge of liabilities **(d)**	69.76

(a) Items capitalized during the year which were allowed by Commission in different financial years

46. The Petitioner has claimed additional capital expenditure of ₹4559.97 lakh in 2018-19 towards assets/works namely Miscellaneous items, Solid waste management, Disaster Management plan, Environmental studies, Road at right bank from Bandi for Dachhi, Surge Shaft wall cladding, Fencing at surge shaft, Construction of side protection and road pavement work from Salamabad office to Dam and Jhelam river area to SFT outfall, Plunge Pool left bank protection, Consultancy services for investigation, planning, design for restoration of collapsed

portion of the permanent bridge across river Jhelum near Bandi, New bridges over river Jhelum at Bandi, Motorized chain block, Spares of Governor and OPU system, Internal Electrification of Permanent Building, External Illumination of Power House area & Nowpora Colony and Salamabad Complex, Spares of Generator Transformer etc., and also includes mandatory spares/Initial Spares of ₹1001.70 lakh. It is noticed that the assets/works claimed above, which are within the original scope of work of the project, was allowed by the Commission in its order dated 22.7.2016 in Petition No. 250/GT/2014. However, the same has been capitalized in this year. Considering the fact that the above assets/works were allowed by the Commission and the said expenditure, including mandatory spares/Initial spares of ₹1001.70 lakh is within the balance available cost limit of ₹9079.23 lakh as on 1.4.2018, the same is allowed.

(b) Items additionally claimed as per actual site requirement

47. The Petitioner has claimed actual additional capital expenditure of ₹1843.00 lakh in 2018-19 under this head. Based on the justification furnished, the admissibility of the claim, based on prudence check, is as under:

(₹ in lakh)

Sl. No	Head of Work / Equipment	Amount claimed	Justification	Reason for admissibility
1	False Ceiling at DTGH	50.00	As per observation of Dam Safety Team and requirement of HM division to provide ceiling and channelize the seeping water in Draft Tube Gate Hall (DTGH).	Since the asset/work would facilitate in the successful and efficient operation of the plant, the expenditure is **allowed** under Regulation 14(3)(viii) of the 2014 Tariff Regulations. However, the Petitioner is directed to furnish the documentary evidence in support of the claim at the time of truing-up exercise.
2	Footpath and Gate at PH Drift	15.00	Temporary path and gate for drift were damaged during the flood. Instruments are installed in the drift for taking geological data. As per dam safety observation and security purpose it is necessary to construct the	

			approach path and gate for drift.	
3	Curtain grouting near MAT	275.00	As per suggestion of Dam Safety Team/Design & Engineering Division to provide a grout curtain to break the path of seepage from river side so as to contain/control the river water seepage inside Power House.	
4	Protection work in balance reach of approach road to DTGH and chain link fencing of DTGH road	40.00	Major part of protection work of the approach road to DTGH has been completed in year 2017 except reach of about 150m length. This balance 150 m length not covered in earlier estimate is also required to be protected for safe access to DTGH area as it is permanent and the only access to DTGH.	As the expenditure is towards the balance works of the item already allowed in 2017-18, the same is **allowed**
5	Boundary wall from NH1A to intake to Dachi bridge	30.00	To prevent trespassing of local villagers inside the Dam area who generally follow the route through our Dam area in the absence of proper fencing/boundary wall in that portion.	As the expenditure is towards safety of plant operation, the expenditure is **allowed.**
6	Hydraulic Jack & Tools	14.00	These tools are essentially required for smooth maintenance to reduce maintenance period.	As the expenditure is in the nature of tools & tackles, the same is **not allowed**
	Welding Machine/Motorized Oil Pump	5.00	These items are essentially required for smooth & early maintenance to reduce maintenance period	
7	Motor Set for Oil Mixed Filtration	10.00	This system is essentially required to protect Stator winding from oil mist contamination.	Considering the nature of the assets/works claimed, these items should have been incorporated within the original scope of work of the project. Accordingly, the expenditure is **allowed** and is accounted for in the balance limit of capital cost within the original scope of work of the project amounting to ₹9079.23
8	Spare GSU Transformer	435.00	GSU transformer is very critical component and non-availability of spare in case of failure of GSU transformer shall lead to long shutdown and result in huge financial loss. In order to minimize shut down period, it is essential to keep sufficient spare GSU	

			transformers at site as manufacturing and supply of new transformer will take very long time. Further, vide IOM no. NH/D(T)/2015/621 dated 20th Aug 2015, Director (Technical) has directed to keep two no. spare GSU transformers at Uri-II Power Station.	lakh
9	Pavement Breaker/Concrete Breaker	1.00	For routine maintenance works of Civil structures.	As the expenditure is in the nature of O&M expenses, the same is **not allowed.**
11	Providing concrete cladding above Dam Top along right bank	40.00	To stabilize the toe of hill slope above the Dam axis.	
	Protection opposite bank of SFT	17.00	To protect the sliding/scouring of slope opposite of SFT opening and safety of population/houses above that bench.	
12	Construction of Morcha and raising of fencing at Surge Shaft	7.00	As per IB recommendation.	As the expenditure is towards safety of plant operation, the expenditure is **allowed** under Regulation 14(3)(iii) of 2014 Tariff Regulations. However, the Petitioner is directed to furnish the documentary evidence in support of the claim at the time of truing-up exercise.
13	Construction of Morcha & Toilet-(Pothead Yard)	2.00		
14	Fencing along NH-1 from MAT portal to Pothead Yard	60.00		
15	Construction of LMG Post & raising of height of boundary wall and security post at Dam post	10.00		
16	Raising of boundary wall at Salamabad	20.00		
17	Providing fencing and gate on river side opposite MAT portal	2.00	During rains/ thunderstorms in year 2015 the chain link fencing along with gate were damaged due to slided mass. As per CISF recommendation it was necessary to provide chain link fencing along river side and gate for DTGH road.	

19	Mechanical Gate Position Indicators for Spillway Radial Gates	10.00	Additional installation as standby for all the 04 nos spillway radial gates as suggested by Dam safety inspection team vide their report for the period 22.04.15 to 24.04.2015 for ensuring better monitoring / regulation of reservoir operation and safety of Dam structure.	
20	Biometric Attendance Machine	5.00	To maintain the proper record of employees in/out time and as per direction of Corporate Office. (Ref. Office Order no. 64/2014, dated: 21.11.2014, Biometric Machines are required	As the expenditure is for the benefit of the employees working in the project and would facilitate the efficient operation of the plant, the expenditure is allowed under 14(3)(viii) of the 2014 Tariff Regulations.
21	Left bank slope protection work down stream of plunge pool.	20.00	As per recommendation of Dam Safety Team for safety of major components of power station.	As the expenditure is towards safety of plant operation, the expenditure is **allowed** under Regulation 14(3)(iii) of 2014 Tariff Regulations. However, the Petitioner is directed to furnish the documentary evidence in support of the claim at the time of truing-up exercise.
22	River bank protection in front of SFT along right bank upto Dachi bridge	30.00	To protect the sliding/scouring of slope opposite of SFT opening and safety of population/houses above that bench.	As the expenditure is in the nature of O&M expenses, the same is **not allowed.**
23	Protection work in front of adit -1	10.00	To protect the sliding/scouring of slope opposite to Adit-1.	
24	Toe protection works along dam area roads	10.00	To protect the toe of approach road to Dam.	
25	Providing toe protection to the left bank of river near approach road to PH from NH-1A	20.00	To protect the toe of approach road by providing wire crates.	
	Strengthening of road from NH-1A to MAT of Uri-II Power Station.	75.00	To protect the road from NH-1A to Main Access Tunnel (MAT) of Uri-II Power Station road from	

			damage due to landslide, additional strengthening work is required.	
26	Providing and fixing MS grill at upstream side of cross drain/nallah at main road & at downstream of culvert in Salamabad Complex	5.00	After terrorist / militant attack at Uri Brigade on 18.09.2016, a security review meeting of Power Station Officials and CISF was held on 19.09.2016. During this review meeting the work was envisaged.	As the expenditure is towards safety of plant operation, the expenditure is **allowed** under Regulation 14(3)(iii) of 2014 Tariff Regulations. However, the Petitioner is directed to furnish the documentary evidence in support of the claim at the time of truing-up exercise
27	Construction of Fire Station	25.00	On 20.11.2014 a major fire broke out in Power House, resulting complete shutdown of Power Station. Keeping in view above and as decided by Power Station Management, the work of construction of Fire station is essentially required./ Regulation 14(3)(viii)	The expenditure incurred is for the safety of the plant. However, considering the nature of the asset/work claimed, this item should have form part of the original scope of work of the project. Accordingly, the expenditure **allowed** and is accounted for in the balance limit of capital cost within the original scope of work of the project amounting to ₹9079.23 lakh
28	Fencing along Open channel	105.00	Open Power Channel in downstream of Dam is an important component of Uri-II Power Station and has an approx. length of 1132m between Dam and HRT intake structure. The Concrete of parapet along both the banks was constructed as per drawings by Major Contractor during execution of Lot-I Civil works. However, the concrete parapet at some locations particularly along the left bank near HRT intake structure is below the top level of the	As the asset would facilitate in successful and efficient operation of the plant, the expenditure is allowed under Regulation 14(3)(viii) of the 2014 Tariff Regulations

			adjoining road. The road is the only way of connectivity to SFT ans Surplus escape structure which are also important components with respect to DAM and HRT safety. Further, due to insufficient height of the concrete parapet at locations, the vehicular movement on this road is quit risky and is prone to any mishaps. Moreover, to protect the open channel from any human entry and to prevent any un-toward incident, fencing is essential.	
29	LED Based Video Wall Display & LED display screen for control room	50.00	LED based video wall display is being purchased for display of various operational parameters i.e. all field parameters, 11KV Switchgear, 400KV GIS, Mech. & electrical auxiliaries etc. in Control Room.	
31	Replacement of Transformer damaged due to Fire incident in 2014-15	445.00	Replacement of Transformer damaged in Fire incident during 2014-15. De-capitalization value of damaged Transformer is appeared in Form- 9B(i) of year 2014-15.	As the expenditure incurred is on account of replacement, the same is allowed. However, the de-capitalized value of ₹379.29 lakh for old asset has been considered under 'Deletions'.
	Total claimed	**1843.00**		
	Total allowed			**1621.00**

48. As such, the total additional capital expenditure of ₹6250.73 lakh (₹4559.97 lakh + ₹1621.00 lakh) is allowed in 2018-19.

49. In view of above, the balance limit available in respect of assets/works within the original scope of work of the project is as under:

(₹ in lakh)

Opening balance limit available for expenditure for assets/works under original scope of the project (*as per para 44 above)* as on 1.4.2018 **(a)**	9079.23
Expenditure allowed for assets/works under original scope of the project **(b)**	4559.97
Expenditure for assets/works claimed under the Regulation 14 (3)(viii) but expenditure allowed/accounted under assets/works under original scope of the project in this order**(c)**	470
Discharge of liabilities considered for assets/works under original scope. **(d)**	69.76
Total expenditure allowed for expenditure for assets/works under original scope of the project during 2018-19 **(e)= (b)+(c)+(d)**	5099.73
Balance limit for expenditure for assets/works under original scope of the project as on 31.3.2019 (f)= (a) - (e)	**3979.50**

50. Accordingly, the details of the expenditure allowed for assets/works within the original scope of work of the project, including initial spares and discharge of liabilities are summarised as under:

(₹ in lakh)

	2014-15	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**Total**
Expenditure allowed for assets/works under original scope of the project (a)	2563.55	2753.13	1877.06	811.77	4559.97	12565.48
Expenditure for assets/works claimed under the Regulation 14 (3)(viii) but expenditure allowed/accounted under assets/works under original scope of the project in this order **(b)**	0.00	60.77	3.24	37.74	470	571.75
Discharge of liabilities considered for assets/works under original scope. (c)	4777.29	466.43	817.05	511.74	69.76	6642.27
Total (d)=(a)+(b)+(c)	**7340.84**	**3280.33**	**2697.35**	**1361.25**	**5099.73**	**19779.50**

51. In view of above, the total expenditure of ₹19779.50 lakh is allowed in respect of assets/works within the original scope of work of the project, including initial spares and discharge of liabilities. This amount is within the ceiling limit of ₹23759 lakh available for additional capital expenditure in respect of assets/works within the original scope of work.

52. Based on the above, the total additional capital expenditure allowed for the period 2014-19 is as under:

(₹ in lakh)

	2014-15	2015-16	2016-17	2017-18	2018-19
Additional capital expenditure allowed within the original scope of work of project	7340.84	3280.33	2697.35	1361.25	5099.73
Additional capital expenditure allowed other than within the original scope of work of project	113.68	2748.66	0.00	56.35	1151.00
Total Additional capital Expenditure allowed	**7454.52**	**6028.99**	**2697.35**	**1417.60**	**6250.73**

Deletions

53. Regulation 14(4) of the 2014 Tariff Regulations provides as under:

> *"In case of de-capitalization of assets of a generating company or the transmission licensee, as the case may be, the original cost of such asset as on the date of de-capitalization shall be deducted from the value of gross fixed asset and corresponding loan as well as equity shall be deducted from outstanding loan and the equity respectively in the year such de-capitalization takes place, duly taking into consideration the year in which it was capitalized."*

54. The Petitioner has claimed de-capitalisation of assets such as head race tunnel including intake structure, desilting arrangement/ silt flushing tunnel, surge shaft, concrete gravity dam, TG access tunnel (branch from MAT), transformer gallery/cavern, pothead yard/switch yard building, desktop computer, 11kv transmission line, etc. as items unusable / unserviceable and taken to obsolete, as under:

(₹ in lakh)

2014-15	2015-16	2016-17	2017-18	2018-19
6810.35	6.90	2.23	0.18	0.00

55. Since the assets are not in use/unserviceable, the claim of the Petitioner for de-capitalization of the above said amounts in terms of the said regulation, is allowed.

Additional capital expenditure (Net) allowed in 2014-19

56. Based on the above discussions, the net additional capital expenditure allowed for the purpose of tariff for the period 2014-19 is summarised as under:

(₹ in lakh)

	2014-15	2015-16	2016-17	2017-18	2018-19
Total additional capital expenditure allowed (including liabilities)	7454.52	6028.99	2697.35	1417.60	6250.73
Less: De- capitalization allowed	6810.35	6.90	2.23	0.18	0.00
Additional capital expenditure allowed (Net)	**644.17**	**6022.09**	**2695.12**	**1417.42**	**6250.73**

Exclusions (additions/deletions incurred, capitalized in books but not to be claimed for tariff purpose) as per reconciliation with books of account

57. The following year-wise net expenditure has been excluded from its claim by the Petitioner as per (Form 9C) reconciliation with books of account:

(₹ in lakh)

	2014-15	2015-16	2016-17	2017-18
Exclusions (items not allowable / not claimed)	2.86	6.46	0.00	(-) 5.17

58. The above exclusion is on accrual basis. The exclusions in additions and deletions claimed on actual basis, is as under:

(₹ in lakh)

	2014-15	2015-16	2016-17	2017-18
Additional capitalization not to be claimed	7.66	6.46	0.00	0.00
Deletion not considered for tariff	4.8	0.00	0.00	5.17
Net Exclusions claimed	2.86	6.46	0.00	(-) 5.17

Exclusions in additions (capitalized in books but not to be considered for tariff purpose) as per (Form 9D) of the petition

59. The exclusions claimed by the Petitioner include expenditure on additions capitalized in books of accounts, but not to be claimed for the purpose of tariff as under:

(₹ in lakh)

2014-15	2015-16	2016-17	2017-18
7.66	6.46	0.00	0.00

60. It is noticed that the above expenditure is in respect of minor assets such as I.T. Equipment, Computers, ARMAC system, Vehicle entry tax, accelerograph room, etc. The exclusion claimed by the Petitioner on the above said expenditure is due

to Inter-head Reclassification, other than accelerograph room, which would be de-capitalized during 2018-19. The Petitioner has put these additions under exclusion category, including the positive entries arising due to Inter-head Reclassification. As such, the above exclusion of the positive entries is allowed for the purpose of tariff.

Exclusions in deletions (de-capitalized in books but not to be considered for tariff purpose) as per (Form 9B(ii)) of the petition.

61. The Petitioner has de-capitalized the following amounts in books of accounts and has kept under exclusion for the purpose of tariff:

(₹ in lakh)

2014-15	2015-16	2016-17	2017-18
4.80	0.00	0.00	5.17

62. It is noticed that the above deletions is in respect of minor assets such as I.T equipment, miscellaneous assets/equipment, etc. The negative entries arising out of de-capitalization of minor assets may be excluded/ignored for the purpose of tariff as the corresponding positive entries for purchase of minor assets are not allowed for the purpose of tariff after the cut-off date of the generating station. Further, the Petitioner has excluded these negative entries which are against the additional expenditure capitalised in 2014-15 and kept under exclusions. It is also observed that the Commission in its order dated 7.9.2010 in Petition No.190/2009 has observed as under:

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

63. In view of the above, the exclusions in deletion allowed are as under:

(₹ in lakh)

	2014-15	2015-16	2016-17	2017-18
Exclusions in deletions allowed	4.80	0.00	0.00	5.17
Exclusions in deletions not allowed	0.00	0.00	0.00	0.00

64. Accordingly, the total exclusions (net) allowed for the purpose of tariff is as under:

(₹ in lakh)

	2014-15	2015-16	2016-17	2017-18
Exclusions in addition allowed	7.66	6.46	0.00	0.00
Exclusion in deletion allowed	4.80	0.00	0.00	5.17
Net Exclusion	**2.86**	**6.46**	**0.00**	**(-) 5.17**

Capital Cost for 2014-19

65. In view of the above, the capital cost allowed for the purpose tariff for the period 2014-19 is as under:

(₹ in lakh)

	2014-15	2015-16	2016-17	2017-18	2018-19
Opening capital cost	217506.67	218150.84	224172.93	226868.05	228285.47
Additional capital expenditure allowed	644.17	6022.09	2695.12	1417.42	6250.73
Closing capital cost	**218150.84**	**224172.93**	**226868.05**	**228285.47**	**234536.20**

Debt Equity Ratio

66. Regulation 19 of the 2014 Tariff Regulations provides as under:

"19. Debt-Equity Ratio: (1) For a project declared under commercial operation on or after 1.4.2014, the debt-equity ratio would be considered as 70:30 as on COD. If the equity actually deployed is more than 30% of the capital cost, equity in excess of 30% shall be treated as normative loan:
Provided that:

i. where equity actually deployed is less than 30% of the capital cost, actual equity shall be considered for determination of tariff:

ii. the equity invested in foreign currency shall be designated in Indian rupees on the date of each investment: iii. any grant obtained for the execution of the project shall not be considered as a part of capital structure for the purpose of debt : equity ratio.

67. The debt-equity ratio of 70:30 has been considered in terms of the above Regulations for the purpose of tariff.

Return on Equity

68. Regulation 24 of the 2014 Tariff Regulations provides as under:

"24. Return on Equity: (1) Return on equity shall be computed in rupee terms, on the equity base determined in accordance with regulation 19.

(2) Return on equity shall be computed at the base rate of 15.50% for thermal generating stations, transmission system including communication system and run of the river hydro generating station, and at the base rate of 16.50% for the storage type hydro generating stations including pumped storage hydro generating stations and run of river generating station with pondage:

Provided that:
i. in case of projects commissioned on or after 1st April, 2014, an additional return of 0.50 % shall be allowed, if such projects are completed within the timeline specified in Appendix-I:

ii. the additional return of 0.5% shall not be admissible if the project is not completed within the timeline specified above for reasons whatsoever:

iii. additional RoE of 0.50% may be allowed if any element of the transmission project is completed within the specified timeline and it is certified by the Regional Power Committee/National Power Committee that commissioning of the particular element will benefit the system operation in the regional/national grid:

iv.the rate of return of a new project shall be reduced by 1% for such period as may be decided by the Commission, if the generating station or transmission system is found to be declared under commercial operation without commissioning of any of the Restricted Governor Mode Operation (RGMO)/ Free Governor Mode Operation (FGMO), data telemetry, communication system up to load dispatch centre or protection system:

v. as and when any of the above requirements are found lacking in a generating station based on the report submitted by the respective RLDC, RoE shall be reduced by 1% for the period for which the deficiency continues:

vi. additional RoE shall not be admissible for transmission line having length of less than 50 kilometers."

69. Regulation 25 of the 2014 Tariff Regulations provides as under:

"Tax on Return on Equity: (1) The base rate of return on equity as allowed by the Commission under Regulation 24 shall be grossed up with the effective tax rate of the respective financial year. For this purpose, the effective tax rate shall be considered on the basis of actual tax paid in the respect of the financial year in line with the provisions of the relevant Finance Acts by the concerned generating company or the transmission licensee, as the case may be. The actual tax income on other income stream (i.e., income of non-generation or non-transmission business, as the case may be) shall not be considered for the calculation of "effective tax rate"

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

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

Where "t" is the effective tax rate in accordance with Clause (1) of this regulation and shall be calculated at the beginning of every financial year based on the estimated profit and tax to be paid estimated in line with the provisions of the relevant Finance Act applicable for that financial year to the company on pro-rata *basis by excluding the income of non-generation or non-transmission business, as the case may be, and the corresponding tax thereon. In case of generating company or transmission licensee paying Minimum Alternate Tax (MAT), "t" shall be considered as MAT rate including surcharge and cess*

(3) The generating company or the transmission licensee, as the case may be, shall true up the grossed up rate of return on equity at the end of every financial year based on actual tax paid together with any additional tax demand including interest thereon, duly adjusted for any refund of tax including interest received from the income tax authorities pertaining to the tariff period 2014-15 to 2018-19 on actual gross income of any financial year. However, penalty, if any, arising on account of delay in deposit or short deposit of tax amount shall not be claimed by the generating company or the transmission licensee as the case may be. Any under recovery or over recovery of grossed up rate on return on equity after truing up, shall be recovered or refunded to beneficiaries or the long term transmission customers/DICs as the case may be on year to year basis."

70. In line with the above regulations, grossing up of base rate has been done with the MAT Rate of the year 2013-14. The Petitioner is however directed to submit the effective tax rates along with the tax Audit report for the period 2014-19 at the time of truing-up exercise in terms of Regulation 8 of the 2014 Tariff Regulations. Accordingly, Return on Equity has been computed as under:

(₹ in lakh)

	2014-15	2015-16	2016-17	2017-18	2018-19
Opening equity	65252.00	65445.25	67251.88	68060.42	68485.64
Addition due to additional capitalization	193.25	1806.63	808.54	425.23	1875.22
Closing equity	65445.25	67251.88	68060.42	68485.64	70360.86
Average equity	65348.63	66348.57	67656.15	68273.03	69423.25
Return on equity (Base Rate)	15.500%	15.500%	15.500%	15.500%	15.500%
Tax rate for the year	20.961%	20.961%	20.961%	20.961%	20.961%
Rate of return on equity (Pre Tax)	19.610%	19.610%	19.610%	19.610%	19.610%
Return on Equity (Pre Tax)	**12814.87**	**13010.95**	**13267.37**	**13388.34**	**13613.90**

Interest on loan

71. Regulation 26 of the 2014 Tariff Regulations provides as under:

"26. Interest on loan capital: (1) The loans arrived at in the manner indicated in regulation 19 shall be considered as gross normative loan for calculation of interest on loan.

(2) The normative loan outstanding as on 1.4.2014 shall be worked out by deducting the cumulative repayment as admitted by the Commission up to 31.3.2014 from the gross normative loan.

(3) The repayment for each of the year of the tariff period 2014-19 shall be deemed to be equal to the depreciation allowed for the corresponding year/period. In case of Decapitalization of assets, the repayment shall be adjusted by taking into

account cumulative repayment on a pro rata basis and the adjustment should not exceed cumulative depreciation recovered up to the date of de-capitalization of such asset

(4) Notwithstanding any moratorium period availed by the generating company or the transmission licensee, as the case may be, the repayment of loan shall be considered from the first year of commercial operation of the project and shall be equal to the depreciation allowed for the year or part of the year.

(5) The rate of interest shall be the weighted average rate of interest calculated on the basis of the actual loan portfolio after providing appropriate accounting adjustment for interest capitalized:

Provided that if there is no actual loan for a particular year but normative loan is still outstanding, the last available weighted average rate of interest shall be considered:

Provided further that if the generating station or the transmission system, as the case may be, does not have actual loan, then the weighted average rate of interest of the generating company or the transmission licensee as a whole shall be considered

(6) The interest on loan shall be calculated on the normative average loan of the year by applying the weighted average rate of interest.

(7) The generating company or the transmission licensee, as the case may be, shall make every effort to re-finance the loan as long as it results in net savings on interest and in that event the costs associated with such refinancing shall be borne by the beneficiaries and the net savings shall be shared between the beneficiaries and the generating company or the transmission licensee, as the case may be, in the ratio of 2:1.

(8) The changes to the terms and conditions of the loans shall be reflected from the date of such re-financing.

(9) In case of dispute, any of the parties may make an application in accordance with the Central Electricity Regulatory Commission (Conduct of Business) Regulations, 1999, as amended from time to time, including statutory re-enactment thereof for settlement of the dispute: Provided that the beneficiaries or the long term transmission customers /DICs shall not withhold any payment on account of the interest claimed by the generating company or the transmission licensee during the pendency of any dispute arising out of re-financing of loan."

72. The Petitioner has submitted that in order to reduce the rate of interest on loan, it has undertaken re-financing of loan in terms of Regulation 26 (7) of 2014 Tariff Regulations. It has also submitted that in terms of the said regulation, the benefit of re-financing is to be shared between the generating company and beneficiaries in the ratio of 1:2. The Petitioner has also stated that the refinancing charges are to be passed on to beneficiaries on actual basis. The Petitioner has furnished the detailed calculation of the benefit in Annexure-VIII of the petition and has clarified that the share of Petitioner due to refinancing shall be recovered

over and above the annual fixed charges through separate bills, after approval of same. In view of the submissions of the Petitioner, the benefit of re-financing of loan shall be shared between the generating company and beneficiaries in the ratio of 1:2 as per Regulation 26(7) of 2014 Tariff Regulations. In case of any dispute, the parties are at liberty to make an application in accordance with Regulation 26(9) of the 2014 Tariff Regulations.

73. The salient features for computation of interest on loan are as under:

(a) The opening gross normative loan as on 1.4.2014 has been arrived at in accordance with Regulation 26 of the 2014 Tariff Regulations.

(b) The weighted average rate of interest has been worked out on the basis of the actual loan portfolio of respective year applicable to the project after re-financing.

(c) The repayment for the year of the tariff period 2014-19 has been considered equal to the depreciation allowed for that year.

(d) The interest on loan has been calculated on the normative average loan of the year by applying the weighted average rate of interest.

74. Accordingly, interest on loan has been worked out as under:

(₹in lakh)

	2014-15	2015-16	2016-17	2017-18	2018-19
Gross Normative loan	152254.67	152705.59	156921.05	158807.64	159799.83
Cumulative repayment up to previous year	3736.14	14864.92	26139.80	37639.66	49257.45
Net loan-Opening	148518.53	137840.67	130781.25	121167.97	110542.38
Repayment during the year	11128.78	11274.88	11499.86	11617.79	11804.52
Addition due to additional capitalization	450.92	4215.46	1886.58	992.19	4375.51
Net loan-closing	137840.67	130781.25	121167.97	110542.38	103113.37
Average loan	143179.60	134310.96	125974.61	115855.18	106827.87
Weighted Average Rate of Interest on loan	9.50%	9.43%	9.09%	7.99%	7.85%
Interest on loan	**13596.47**	**12659.29**	**11452.01**	**9255.84**	**8389.86**

Depreciation

75. Regulation 27 of the 2014 Tariff Regulations provides as under:

"27. Depreciation: (1) Depreciation shall be computed from the date of commercial operation of a generating station or unit thereof or a transmission system including communication system or element thereof. In case of the tariff of all the units of a

generating station or all elements of a transmission system including communication system for which a single tariff needs to be determined, the depreciation shall be computed from the effective date of commercial operation of the generating station or the transmission system taking into consideration the depreciation of individual units or elements thereof.

Provided that effective date of commercial operation shall be worked out by considering the actual date of commercial operation and installed capacity of all the units of the generating station or capital cost of all elements of the transmission system, for which single tariff needs to be determined.

(2) The value base for the purpose of depreciation shall be the capital cost of the asset admitted by the Commission. In case of multiple units of a generating station or multiple elements of transmission system, weighted average life for the generating station of the transmission system shall be applied. Depreciation shall be chargeable from the first year of commercial operation. In case of commercial operation of the asset for part of the year, depreciation shall be charged on pro rata basis.

(3) The salvage value of the asset shall be considered as 10% and depreciation shall be allowed up to maximum of 90% of the capital cost of the asset:
Provided that in case of hydro generating station, the salvage value shall be as provided in the agreement signed by the developers with the State Government for development of the Plant:

Provided further that the capital cost of the assets of the hydro generating station for the purpose of computation of depreciated value shall correspond to the percentage of sale of electricity under long-term power purchase agreement at regulated tariff:

Provided also that any depreciation disallowed on account of lower availability of the generating station or generating unit or transmission system as the case may be, shall not be allowed to be recovered at a later stage during the useful life and the extended life.

(4) Land other than the land held under lease and the land for reservoir in case of hydro generating station shall not be a depreciable asset and its cost shall be excluded from the capital cost while computing depreciable value of the asset.

(5) Depreciation shall be calculated annually based on Straight Line Method and at rates specified in Appendix-II to these regulations for the assets of the generating station and transmission system:

Provided that the remaining depreciable value as on 31st March of the year closing after a period of 12 years from the effective date of commercial operation of the station shall be spread over the balance useful life of the assets.

(6) In case of the existing projects, the balance depreciable value as on 1.4.2014 shall be worked out by deducting the cumulative depreciation as admitted by the Commission upto 31.3.2014 from the gross depreciable value of the assets.

(7) The generating company or the transmission license, as the case may be, shall submit the details of proposed capital expenditure during the fag end of the project (five years before the useful life) alongwith justification and proposed life extension.

The Commission based on prudence check of such submissions shall approve the depreciation on capital expenditure during the fag end of the project.

(8) In case of de-capitalization of assets in respect of generating station or unit thereof or transmission system or element thereof, the cumulative depreciation shall be adjusted by taking into account the depreciation recovered in tariff by the de-capitalized asset during its useful services."

76. Accordingly, depreciation has been computed as follows:

(₹in lakh)

	2014-15	2015-16	2016-17	2017-18	2018-19
Opening Capital Cost	217506.67	218150.84	224172.93	226868.05	228285.47
Additional Capitalization	644.17	6022.09	2695.12	1417.42	6250.73
Closing Capital Cost	218150.84	224172.93	226868.05	228285.47	234536.20
Average Capital Cost	217828.76	221161.89	225520.49	227576.76	231410.84
Rate of Depreciation	5.109%	5.098%	5.099%	5.105%	5.101%
Depreciable Value	196045.88	199045.70	202968.44	204819.08	208269.75
Remaining Depreciable Value	192309.74	184630.79	177279.44	167630.59	159463.51
Depreciation	**11128.78**	**11274.88**	**11499.86**	**11617.79**	**11804.52**

O&M expenses

77. Sub-clause (c) of clause (3) of Regulation 29 of the 2014 Tariff Regulations provide the following:

"29. Operation and Maintenance Expenses: (3) Hydro Generating Station (c) In case of the hydro generating stations, which have not been in commercial operation for a period of three years as on 1.4.2014, operation and maintenance expenses shall be fixed at 2% of the original project cost (excluding cost of rehabilitation and resettlement works) for the first year of commercial operation. Further, in such case, operation and maintenance expenses in first year of commercial operation shall be escalated @6.04% per annum up to the year 2013- 14 and then averaged to arrive at the O&M expenses at 2013-14 price level. It shall be thereafter escalated @ 6.64%per annum to arrive at operation and maintenance expenses in respective year of the tariff period."

78. The Petitioner has submitted that Commission vide its order dated 22.7.2016 in Petition No. 250/GT/2014 had allowed O&M expenses, on normative basis, as per Regulation 29(3)(c) of the 2014 Tariff Regulations. However, it has submitted that since the generating station is in commercial operation for more than 4 years its year-wise actual O&M expenses for the period from 2014-15 to 2017-18 is available and hence, the actual O&M expenses have been considered in the present petition. The details of O&M expenses have been derived from the audited balance sheets. The O&M expenses for the year 2018-19 has been determined on the basis

of actual O&M expenses of the year 2017-18 with an escalation @6.64%. The Petitioner has claimed the following O&M expenses for the period 2014-19:

(₹ in lakh)

2014-15	2015-16	2016-17	2017-18	2018-19
6754.24	6894.95	9596.14	10086.33	10756.06

79. The Respondent UPPCL in its reply has stated that the Commission may allow the normative O&M expenses to the Petitioner. The Respondent PSPCL has submitted that the Petitioner cannot be permitted to claim O & M expenses much higher and on actual basis. It has stated that the O&M expenses to be allowed to the Petitioner need to be reduced and the balance adjusted in the tariff to be paid. The Petitioner has however reiterated its submission in the petition.

80. The matter has been considered. The generating station has not been in commercial operation for a period of more than three years as on 1.4.2014. As such, the O&M expense for the generating station has been calculated in terms of Regulation 29(3) (c) of the 2014 Tariff Regulations. As stated, the capital cost of ₹226868.05 lakh as on the cut-off date of the generating station (31.3.2017) has been considered for the calculation of O&M expenses. The Petitioner has submitted that an amount of ₹375.00 lakh has been capitalised towards Rehabilitation & Resettlement (R&R) cost till 31.3.2014. This has been considered for the purpose of calculation of O&M expenses for the period 2014-19. The Petitioner is however directed to furnish the details of the R&R cost capitalised up to the cut-off date, at the time of truing up exercise. Accordingly, O&M expenses allowed is as under:

(₹ in lakh)

Total capital expenditure up to cut-off date i.e. 31.3.2017	226868.05
R & R expenditure as on 31.3.2014	375.00
Capital cost considered for O&M expenses (excluding R&R expenses)	226493.05
O&M Expenses @2% p.a. for first year i.e. 2013-14	4529.86

81. The average O&M expenses of ₹4529.86 lakh in 2013-14 is escalated @ 6.64% per annum to arrive at the O&M expenses in the respective years of the tariff period 2014-19. Accordingly, O & M expenses have been worked out and allowed as under:

(₹ in lakh)

2014-15	2015-16	2016-17	2017-18	2018-19
4830.64	5151.40	5493.45	5858.22	6247.20

Interest on Working Capital

82. Sub-section (c) of Clause (1) of Regulation 28 of the 2014 Tariff Regulations provides as under:

> *"28. Interest on Working Capital: (1) The working capital shall cover (c) Hydro generating station including pumped storage hydroelectric generating Station and transmission system including communication system:*
>
> *(i) Receivables equivalent to two months of fixed cost;*
>
> *(ii) Maintenance spares @ 15% of operation and maintenance expense specified in regulation 29; and*
>
> *(iii) Operation and maintenance expenses for one month."*

83. Clause (3) of Regulation 28 of the 2014 Tariff Regulations provides as under:

> *"Interest on working Capital: (3) Rate of interest on working capital shall be on normative basis and shall be considered as the bank rate as on 1.4.2014 or as on 1st April of the year during the tariff period 2014-15 to 2018-19 in which the generating station or a unit thereof or the transmission system including communication system or element thereof, as the case may be, is declared under commercial operation, whichever is later."*

84. Accordingly, Interest on working capital is worked out as under:

(₹ in lakh)

	2014-15	2015-16	2016-17	2017-18	2018-19
Maintenance Spares	724.60	772.71	824.02	878.73	937.08
O & M expenses	402.55	429.28	457.79	488.18	520.60
Receivables	7250.29	7205.25	7141.64	6872.08	6863.13
Total	8377.44	8407.24	8423.45	8238.99	8320.81
Interest Rate	13.50%	13.50%	13.50%	13.50%	13.50%
Interest on Working Capital	**1130.95**	**1134.98**	**1137.17**	**1112.26**	**1123.31**

Annual Fixed Charges

85. Based on the above, the annual fixed charges approved for the generating station for 2014-19 is summarized as under:

(₹ in lakh)

	2014-15	2015-16	2016-17	2017-18	2018-19
Return on Equity	12814.87	13010.95	13267.37	13388.34	13613.90
Interest on Loan	13596.47	12659.29	11452.01	9255.84	8389.86
Depreciation	11128.78	11274.88	11499.86	11617.79	11804.52
Interest on Working Capital	1130.95	1134.98	1137.17	1112.26	1123.31
O & M Expenses	4830.64	5151.40	5493.45	5858.22	6247.20
Total	**43501.72**	**43231.49**	**42849.85**	**41232.45**	**41178.79**

Normative Annual Plant Availability Factor (NAPAF)

86. In terms of Regulation 37(4) of 2014 Tariff Regulations, NAPAF of 55% has been considered for the generating station for the period 2014-19.

Design Energy (DE)

87. The Respondent BRPL has submitted that the annual DE as set out in the Techno-Economic Clearance (TEC) of CEA may be considered for purpose of tariff. It has pointed out that while the Petitioner submits one set of data to the CEA to seek the TEC of the project to justify its economic viability immediately after the construction of the project, the Petitioner again approaches CEA with another set of data with the sole purpose to reduce the design energy. The Respondent has submitted that the in the event of modification of DE, the Commission may not allow the benefits of secondary energy level upto the DE allowed at the time of TEC by CEA i.e. DE of 1234 MUs to the Petitioner. The Petitioner in its rejoinder has clarified that as per TEC, the DE was 1123.76 MU and the same was considered by the Commission in its orders dated 4.2.2016 & 22.7.2016 in Petition No. 156/GT/2013 & 250/GT/2014 respectively.

88. The matter has been considered. In line with the Commission's orders as stated above, the DE of 1123.76 MUs as approved by CEA is allowed. The month-wise DE is as under:

Month	10 daily	Design Energy (MUs)
April	I	54.72
	II	54.72
	III	54.72
May	I	54.72
	II	54.72
	III	60.19
June	I	33.92
	II	30.65
	III	39.96
July	I	30.51
	II	27.77
	III	34.32
August	I	40.77
	II	30.88
	III	30.98
September	I	21.25
	II	20.72
	III	20.88
October	I	14.92
	II	13.43
	III	13.26
November	I	23.00
	II	17.58
	III	14.94
December	I	12.87
	II	13.48
	III	14.77
January	I	11.57
	II	20.67
	III	21.24
February	I	17.13
	II	23.65
	III	38.94
March	I	41.02
	II	54.71
	III	60.19
Total	**1123.76**	

Application Fee and Publication Expenses

89. The Petitioner has sought reimbursement of filing fee of ₹5280000/- and also the expenses incurred towards publication of notices in the application of tariff for the period 2014-19. Accordingly, in terms of Regulation 52 of the 2014 Tariff Regulations, the Petitioner is entitled to recover the filing fees and the

expenses incurred on publication of notices for the period 2014-19 directly from the Respondent on submission of documentary proof.

90. In addition, the Petitioner is entitled recovery of statutory taxes, levies, duties, cess etc. levied by the statutory authorities in accordance with the 2014 Tariff Regulations.

91. The annual fixed charges approved for the period 2014-19 as above are subject to revision based on the truing-up exercise in terms of Regulation 8 of the 2014 Tariff Regulations. The tariff recovered by the Petitioner in terms of the earlier orders of this Commission shall be adjusted against the tariff determined in this order.

92. Petition No. 308/GT/2018 is disposed of in terms of the above.

Sd/-	***Sd/-***	***Sd/-***
(I.S Jha)	**(Dr. M.K Iyer)**	**(P.K Pujari)**
Member	**Member**	**Chairperson**