

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Coram:

1. **Shri Ashok Basu, Chairperson**
2. **Shri Bhanu Bhushan, Member**
3. **Shri A. H. Jung, Member**

**Review Petition No.12/2006
in
Petition No 185/2004**

In the matter of

Review of order dated 15.9.2005 in Petition No.185/2004 - Approval of tariff in respect of Chamera Hydroelectric Project Stage II for the period from 2.11.2003 to 31.3.2004.

And in the matter of

National Hydroelectric Power Corporation Ltd.

.... **Petitioner**

Vs

1. Punjab State Electricity Board, Patiala
2. Haryana Vidyut Prasaran Nigam Ltd., Panchkula
3. Delhi Transco Ltd, New Delhi
4. Uttar Pradesh Power Corporation Ltd., Lucknow
5. BSES Rajdhani Power Ltd., New Delhi
6. Rajasthan Rajya Vidyut Prasaran Nigam Ltd., Jaipur
7. BSES Yamuna Power Ltd., New Delhi
8. North Delhi Power Ltd., Delhi
9. Jaipur Vidyut Vitaran Nigam Ltd., Jaipur
10. Power Transmission Corporation of Uttaranchal Ltd., Dehradun
11. Jodhpur Vidyut Vitaran Nigam Ltd., Jodhpur
12. Himachal Pradesh State Electricity Board, Shimla
13. Ajmer Vidyut Vitaran Nigam Ltd., Jaipur
14. Engineering Deptt. Chandigarh
15. Power Development Deptt., Govt. of J&K, Jammu

.... **Respondents**

The following were present:

1. Er. P. Kumar, Manager (E), NHPC
2. Shri Prashant Kaul, Chief Engineer (Tariff), NHPC
3. Shri S.K. Meena, Engineer (E), NHPC

4. Shri C. Vinod, Engineer (E), NHPC
5. Shri Ajay K. Arora, AM (Law), NHPC
6. Shri Jayant Kumar, NHPC
7. Shri Vijay Ranjan, NHPC
8. Shri R.P. Goel, NHPC
9. Shri Naveen Samriya, NHPC
10. Shri T.P.S. Bawa, OSD (C), PSEB
11. Shri Padamjit Singh, Advisor, PSEB
12. Shri R.K.Arora, XEN/T, HPGCL

ORDER
(DATE OF HEARING : 25.4.2006)

This petition has been filed to seek review of the order dated 15.9.2005 in Petition No 185/2004, wherein the Commission had approved tariff in respect of Chamera Hydroelectric Project Stage II (hereinafter referred to as “the generating station”) for the period from 2.11.2003 to 31.3.2004, based on terms and conditions of tariff contained in the Commission’s notification dated 26.3.2001 (hereinafter referred to as “the notification dated 26.3.2001”).

2. A summary of the Annual Fixed Charges approved by the Commission by order dated 15.9.2005 is given hereunder:

Particulars	(Rs. in lakh)		
	2.11.2003 to 31.12.2003	1.1.2004 to 30.3.2004	31.3.2004
Interest on Loan	619.00	1803.04	29.62
Interest on Working Capital	28.85	85.32	1.42
Depreciation	292.02	874.95	14.84
Advance Against Depreciation	0.00	0.00	0.00
Return on Equity	516.31	1534.78	25.64
O&M Expenses	155.18	464.26	7.83
Total	1611.36	4762.35	79.35

3. This petition was listed for hearing after notice to the respondents, none of whom has filed any reply. None of the respondents, except Shri TPS Bawa and Shri R.K. Arora, the representatives of Punjab State Electricity Board and Haryana Power Generation Corporation Ltd. respectively, attended hearing held on 25.4.2006. At the hearing, it became evident that the mistakes in the order dated 15.9.2005, sought to be reviewed, were of ministerial nature. It was, therefore, felt appropriate and in the interest of justice to correct the mistakes, without having resort to the detailed procedure prescribed for review of order under the Code of Civil Procedure. The representatives of the parties present at the hearing had no objection to the correction of the errors in this manner.

4. The Central Government in Ministry of Power accorded approval for the generating station by its letter dated 1.6.1999 at a cost of Rs.1684.02 crore, which included ERV.

5. The different units of the generating station were declared under commercial operation on the dates given hereunder:

Unit I	2.11.2003
Unit II	1.1.2004
Unit III	31.3.2004

6. The capital cost admitted by the Commission for the purpose of tariff in its order dated 15.9.2005 which included ERV on dates of commercial operation of each unit is given below:

	(Rs in lakh)
2.11.2003	64121
1.1.2004	129078
31.3.2004	195606

7. Certain amounts were capitalized by the petitioner in its books of accounts based on assessed figures, but payments for which were not made. These amounts thus represented undischarged liabilities of the petitioner. The details of the undischarged liabilities on different dates relevant for the purpose of tariff determination are as given hereunder:

	(Rs in lakh)
2.11.2003	2354.00
1.1.2004	4984.00
31.3.2004	9165.00

8. For the purpose of computation of interest on loan and return on equity in the annual fixed charges, debt-equity ratios arrived at in the order dated 15.9.2005 were as under:

11.2003	68.89 : 31.11
1.1.2004	68.83 : 31.17
31.3.2004	69.34 : 30.66

9. While computing tariff for different periods, ending on 31.3.2004, debt and equity components corresponding to undischarged liabilities were worked out in the ratios given in the preceding para and the amounts so arrived at were deducted from the debt and equity amounts on the respective date. Further, adjustments were also made on account of ERV applicable on the respective date. The details of capital cost, debt and equity considered for computation of tariff are as below:

(Rs. in lakh)

		2.11.2003	1.1.2004	31.3.2004
Opening Balance (A)	Capital Cost	64121.00	129078.00	195606.00
	Loan	44121.00	89077.00	135605.00
	Equity	20000.00	40001.00	60001.00
Adjustment due to FERV (B)	Capital Cost	324.14	(-)1439.12	236.30
	Loan	223.29	(-) 990.54	163.85
	Equity	100.85	(-) 448.58	72.45
Adjustment due to undischarged liability (C)	Capital Cost	2354.00	4984.00	9165.00
	Loan	1621.61	3430.46	6354.97
	Equity	732.39	1553.54	2810.03
Net Opening Balance considered in order dated 15.9.2005 (D) = (A) + (B) – (C)	Capital Cost	62091.14	122654.88	186677.30
	Loan	42722.68	84656.00	129413.88
	Equity	19368.46	37998.88	57263.42

10. As per Ministry of Power letter dated 1.6.1999, the Central Government decided to release equity to the extent of Rs.600 crore during construction period. Therefore, for computation of return on equity, equity actually deployed on the date of commercial operation of the respective unit was to be allowed, subject to an amount of Rs.600 crore, without pro rata reduction in equity on account of the undischarged liabilities amounting to Rs.9165 lakh. Accordingly, the entire amount of undischarged liabilities was to be reduced from the loan for computation of interest on loan. Ministry of Power letter dated

1.6.1999 was duly taken note of at para 20 of the order dated 15.9.2005. In view of this, no pro rata reduction in the amount of equity deployed was required to be made. Similarly, as the capital expenditure considered was inclusive of FERV, no further adjustment on account of FERV was needed to be made.

11. In order to rectify the obvious mistakes, debt and equity to be considered for the purpose of tariff from 2.11.2003 to 31.3.2004 are as under:

	(Rs. in lakh)		
	2.11.2003 to 31.12.2003	1.1.2004 to 30.3.2004	31.3.2004
Debt	41767	84093	126440
Equity	20000	40001	60001

12. While considering the amount of debt, undischarged liabilities for different periods have been adjusted in the respective period. On account of the revised debt and equity amounts debt-equity ratio as on 31.3.2004 works out to 69.33 : 30.67 as on the date of commercial operation, that is, 31.3.2004.

13. In the order dated 15.9.2005, cumulative actual loan repayment was linked with notional cumulative repayment considered on the date of commercial operation which was not correct. Accordingly, cumulative repayment as on the date of commercial operation is to be considered as 'Nil' for calculation of interest on loan. Further, it has been confirmed by the petitioner that the exposure fees and commitment charges up to year 2003-04 were charged to IDC. The part of exposure fees and commitment fees, in respect of EDC loan amounting to Rs.78.00 lakh, were charged to P&L account, as per

petitioner's submission dated 9.5.2005. These are required to be adjusted in the interest rate of the respective loan.

14. Based on the above, the entitlements of the petitioner to interest on loan and return on equity have been revised and are given hereunder:

Computation of Interest on Loan

	(Rs. in lakh)		
	2.11.2003 to 31.12.2003	1.1.2004 to 30.3.2004	31.3.2004
No. of Days	60	90	1
Deemed Loan			
Deemed Outstanding Loan	44121.00	89077.00	135605.00
Adjustment due to difference in Capital Cost & Means of Financing(Undischarged Liabilities)	2354.00	4984.00	9165.00
Adjustment due to FERV	0.00	0.00	0.00
Additions due to addl. Capital expenditure	0.00	0.00	0.00
Opening Balance after adjustment	41767.00	84093.00	126440.00
Cumulative repayment of deemed loan upto previous year	0.00	0.00	0.00
Opening Balance	41767.00	84093.00	126440.00
Additions	0.00	0.00	0.00
Repayments	0.00	0.00	0.00
Closing Balance	41767.00	84093.00	126440.00
Average Loan	41767.00	84093.00	126440.00
Wt. Average Rate of Interest	1.51%	2.17%	0.02%
Interest on Loan	632.08	1826.05	29.49

Return on Equity

	(Rs. in lakh)		
	2.11.2003 to 31.12.2003	1.1.2004 to 30.3.2004	31.3.2004
No. of Days	60	90	1
Deemed Equity			
Opening Balance	20000.00	40001.00	60001.00
Adjustment due to difference in Capital Cost & Means of Financing (Undischarged Liabilities)	0.00	0.00	0.00
Net Opening Balance	20000.00	40001.00	60001.00
Adjustment due to FERV	0.00	0.00	0.00
Additions due to addl. Capital expenditure	0.00	0.00	0.00
Closing Balance	20000.00	40001.00	60001.00
Average Equity	20000.00	40001.00	60001.00
Rate of Return on Equity	16.00%	16.00%	16.00%
Return on Equity	524.59	1573.81	26.23

15. While computing tariff by order dated 15.9.2005, depreciation was computed by averaging capital cost. The procedure adopted is not in conformity with the provisions of the notification dated 26.3.2001 since, for the purpose of computing depreciation, historical cost of the asset has to form the value base. Accordingly, the depreciation allowable in tariff has been recalculated as under:

(Rs. in lakh)

	2.11.2003 to 31.12.2003	1.1.2004 to 30.3.2004	31.3.2004
No. of Days	60	90	1
Capital Cost			
Opening Balance (A)	64121.00	129078.00	195606.00
Increase/ Decrease due to FERV(B)	0.00	0.00	0.00
Increase/Decrease due to Additional Capitalisation (C)	0.00	0.00	0.00
Closing Balance	64121.00	129078.00	195606.00
Undischarged Liabilities (D)	2354.00	4984.00	9165.00
Rate Of Depreciation	2.7711%	2.7720%	2.7749%
Depreciation recoverable in tariff	291.29	879.86	14.83

16. In Petition No.185/2004, the petitioner had claimed following O&M expenses @ 1.5% of the capital cost, as part of annual fixed charges, on the date of commercial operation of respective unit on *pro rata* basis:

(Rs. in lakh)

	2.11.2003 to 31.12.2003	1.1.2004 to 30.3.2004	31.3.2004
Capital Cost	64121	129078	195606
O&M Expenses	158	476	8

17. The methodology adopted by the petitioner for calculating O&M expenses was found to be in order. Therefore, the Commission, in the order dated 15.9.2005 decided to allow O&M expenses for the period 2.11.2003 to 31.3.2004 as claimed.

18. However, in the summary of Annual Fixed Charges given under para 44 of the order dated 15.9.2005, O&M expenses considered were as under:

(Rs. in lakh)

Particulars	2.11.2003 to 31.12.2003	1.1.2004 to 30.3.2004	31.3.2004
O&M Expenses	155.18	464.26	7.83

19. The mistake in computation of Annual Fixed Charges on the above count has been rectified. The petitioner is entitled to O&M charges as reproduced below:

(Rs. in lakh)

2.11.2003 to 31.12.2003	1.1.2004 to 30.3.2004	31.3.2004
157.67	476.11	8.02

20. The Commission in its order dated 15.9.2005 had not considered cost of maintenance of spares while computing the working capital. The petitioner has contended that 1% of the capital cost of the generating station was to be allowed towards maintenance spares. We have considered the point raised by the petitioner but are unable to agree because there was no such stipulation in the notification dated 26.3.2001. The Interest on Working Capital has not been revised.

21. There are no other changes in the Annual Fixed Charges already approved.

22. Based on the above, the revised Annual Fixed Charges recoverable by the petitioner for the period from 2.11.2003 to 31.3.2004 are summarized below:

(Rs in lakh)

S. No.	Particulars	02.11.2003 to 31.12.2003	1.1.2004 to 30.3.2004	31.3.2004
	No. of Days	60	90	1
1	Interest on Loan	632.08	1826.05	29.49
2	Interest on Working Capital	29.28	86.79	1.44
3	Depreciation	291.29	879.86	14.83
4	Advance Against Depreciation	0.00	0.00	0.00
5	Return on Equity	524.59	1573.81	26.23
6	O & M Expenses	157.67	476.11	8.02
	TOTAL	1634.91	4842.62	80.01

21. The petitioner had paid the filing fee of Rs.25 lakh, in two instalments of Rs.10 lakh and Rs.15 lakh. In terms of the order dated 15.9.2005, the petitioner was to be reimbursed filing fee of Rs.10 lakh. Since the actual filing fee paid by the petitioner is Rs.25 lakh, the petitioner shall recover from the respondents the remaining amount of Rs.15 lakh also in five equal installments.

22. With the above decision, the review petition has been disposed of.

Sd/-
(A. H. JUNG)
MEMBER

Sd/-
(BHANU BHUSHAN)
MEMBER

Sd/-
(ASHOK BASU)
CHAIRPERSON

New Delhi dated the 9th May 2006