

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Coram

- 1. Shri Bhanu Bhushan, Member**
- 2. Shri R.Krishnamoorthy, Member**

Petition No. 34/2007

In the matter of

Approval of revised fixed charges for the period 2004-09, after considering the impact of additional capital expenditure incurred during 2004-05 and 2005-06 for National Capital Thermal Power Station, Dadri, Stage-I (840 MW)

And in the matter of

NTPC Ltd, New Delhi

.....Petitioner

Vs

1. Uttar Pradesh Power Corporation Ltd., Lucknow
2. Delhi Transco Ltd, New Delhi through
 - (a) BSES Rajdhani Power Ltd, New Delhi
 - (b) BSES Yamuna Power Ltd, New Delhi
 - (c) North Delhi Power Ltd, New Delhi

.....Respondents

The following were present

1. Shri S.N.Goel, NTPC
2. Shri A.S.Pandey, NTPC
3. Shri A.K.Juneja, NTPC
4. Shri S.K.Johar, NTPC
5. Ms. Pranav Kapoor, NTPC
6. Shri S.K.Agarwal, NTPC
7. Shri S.S.Reddy, NTPC
8. Shri Vivake Kumar, NTPC
9. Shri D.Kar, NTPC
10. Shri Ajay Dua, NTPC
11. Shri N.N.Sadasivan, NTPC
12. Shri D.G.Salpekar, NTPC
13. Shri S.D.Jha, NTPC
14. Shri S.Saran, NTPC
15. Shri Mithun Balaji, BSES
16. Shri Vineet Jaiswal, BSES

ORDER
(DATE OF HEARING: 23.10.2007)

The petitioner has made this application for approval of the revised fixed charges in respect of National Capital Thermal Power Station, Dadri, Stage-I (840 MW), (hereinafter referred to as “the generating station”) for the period 2004-09, after accounting for the impact of additional capital expenditure incurred during 2004-05 and 2005-06, based on the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2004 (hereinafter referred to as “the 2004 regulations”). The petitioner has made the following specific prayers:

- “(i) Approve the impact on fixed charges due to tariff revision on account of additional capital expenditure as per details given in Annexure-I for the period 1.4.2004 to 31.3.2009.*
- (ii) allow the servicing of the capital expenditure from the year the same is incurred.*
- (iii) approve recovery of filing fees of this petition from respondents*
- (iv) allow the petitioner to approach the Hon’ble Commission for another revision of fixed charges before 31.3.2009 and one revision after the end of tariff period i.e after 31.3.2009 when the accounts of 2008-09 are finalized.*
- (v) pass any other orders in this regard as the Hon’ble Commission may find appropriate in the circumstances pleaded above”.*

2. The generating station with a total capacity of 840 MW comprises 4 units of 210 MW each. The generating station was declared under commercial operation on 1.12.1995. The Commission by its order dated 5.5.2006 in Petition No.162/2004 determined tariff for the generating station for the period 1.4.2004 to 31.3.2009, based on the capital cost of Rs.171622 lakh as on 1.4.2004, inclusive of FERV of Rs.206 lakh and additional capitalization on works

amounting to Rs.7235 lakh. The annual fixed charges approved by the Commission are as under:

(Rs in lakh)					
Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
Interest on Loan	1231	700	219	0	0
Interest on Working Capital	3513	3528	3545	3521	3541
Depreciation	5918	5918	5918	2807	2807
Advance against Depreciation	0	0	0	0	0
Return on Equity	12014	12014	12014	12014	12014
O & M Expenses	8736	9089	9450	9828	10223
TOTAL	31412	31248	31146	28169	28584

3. In the present petition, the petitioner has claimed the revised fixed charges based on the following additional capital expenditure incurred during 2004-05 and 2005-06:

(Rs. in lakh)			
	2004-05	2005-06	Total
Additional capital expenditure	566.37	606.49	1172.86

4. Reply to the petition has been filed by the respondents. Delhi Transco Limited was impleaded as respondent No. 2. It is pertinent to note that the Power Purchase Agreements earlier assigned to Delhi Transco Limited have now been allocated among the three distribution companies, namely, BSES Rajdhani Power Ltd (BRPL), BSES Yamuna Power Ltd (BYPL) and North Delhi Power Ltd (NDPL) by order dated 31.3.2007, passed by Delhi Electricity Regulatory Commission. Accordingly, the three discoms have been added as respondents along with Delhi Transco Limited in the instant petition.

5. The first respondent, UPPCL in its reply filed vide affidavit dated 14.5.2007 has raised certain preliminary issues, as summarised below:

- (a) The Appellate Tribunal for Electricity (the Appellate Tribunal) vide its order dated 22.12.2006 in Appeal No.161/2006 had directed that the amount of FERV should be allowed against loan component only. Therefore, return on equity allowed earlier on 50% of FERV amount of Rs.1122 lakh needs to be reduced from tariff for the period from 1999 and onwards, before disposing of the petition.
- (b) The Commission in its order dated 9.5.2006 in Petition No.162/2004 had directed for mutual settlement of the reduction in tariff on account of swapping of loans. Hence the benefit of Rs.42 crore on account of swapping of Govt. of India loan carrying interest of 14 % to 17% with the Bonds (Series XIII etc) carrying the interest of 8.05% to 9.55% must be passed on to the beneficiaries from the date of swapping, before disposing of the present petition.
- (c) The petitioner had not placed on record the prior approval of the appropriate authority for incurring additional capital expenditure claimed under the category 21B – pertaining to expenditure on new works not included in approved cost/RCE amounting to Rs.4 crore and under category 22B pertaining to spares not included in the approved cost amounting to Rs.5.5 crore. Therefore, according to the first respondent, the application of rates and commitment of performance are required to be considered/examined by the Commission for the works which have been done without prior approval.

6. The respondents BRPL and BYPL by their separate affidavits dated 22.10.2007 have submitted that the additional capitalization claimed by the petitioner under category 10B, 21B and 22B is not within the approved cost. It has been submitted that the capital investment of these nature should have prior consent of the respondents in order to make provisions in book of accounts for meeting the past liabilities in future.

7. As regards the first issue raised by the first respondent, it is noticed that the Appellate Tribunal in its judgment dated 22.12.2006 in Appeal No. 161/2006 (Madhya Pradesh State Electricity Board Vs PGCIL & others) reiterating its earlier decision in judgment dated 4.10.2006 in Appeals Nos. 135-140/2005 (Tamil Nadu Electricity Board vs PGCIL and others) held that any increase on account of FERV was not to be allocated to equity if the entire equity was secured from the domestic resources only and not through foreign currency. The judgment of the Appellate Tribunal has been fully implemented as regards the transmission systems owned by PGCIL. The present petition pertains to the approval of the revised fixed charges from 1.4.2004 onwards, on account of additional capitalization for the years 2004-05 and 2005-06 in respect of the generating station. The request of the first respondent for adjustment of the impact of FERV for the period 1999 onwards based on the judgment of the Appellate Tribunal in Appeal No.161/2006 is beyond the scope of the present petition. Any person seeking extension of the judgment of the Appellate Tribunal and revision of tariff based thereon to the generating station is at liberty to approach the Commission in accordance with law, through an appropriate

application. So far as the second issue is concerned, the Commission has already decided the tariff for the period 2004-09 and its revision after accounting for additional capital expenditure cannot be withheld. The matter needs to be mutually settled between the petitioner and the beneficiaries as directed in para 38(f) of the order dated 5.5.2006 in Petition No.162/2004. We do not consider it necessary to issue further directions to the petitioner in this regard. In case of any grievance on account of non-implementation of earlier direction of the Commission, remedy under the law is to be availed of by the person aggrieved. Therefore, the second issue is also beyond the scope of the present petition. On the third issue, it is observed that the petition for revision of annual fixed charges for additional expenditure for the years 2004-05 and 2005-06 has been filed by the petitioner in accordance with the Regulation 18 of the 2004 regulations. Any claim for capitalization of expenditure on new works executed by the petitioner is to be considered in accordance with the provisions of the 2004 regulations. This also takes care of the objections raised by the respondents BRPL and BYPL as investments made by the petitioner are capitalized after prudence check carried out by the Commission in accordance with the 2004 regulations.

Additional Capitalization

8. Regulation 18 of the 2004 regulations provides for considering the additional capital expenditure for tariff after the cut-off date as under:

“18. (1).....

(2) Subject to the provisions of clause (3) of this regulation, the capital expenditure of the following nature actually incurred after cut off date may be admitted by the commission, subject to prudence check:

- (i) *Deferred liabilities relating to works/services within the original scope of work;*
- (ii) *Liabilities to meet award of arbitration or for compliance of the order or decree of a court;*
- (iii) *On account of change in law;*
- (iv) *Any additional works/services which have become necessary for efficient and successful operation of the generating station, but not included in the original project cost; and*
- (v) *Deferred works relating to ash pond or ash handling system in the original scope of work.*

(3) *Any expenditure on minor items/assets like normal tools and tackles, personal computers, furniture, air-conditioners, voltage stabilizers, refrigerators, fans, coolers, TV, washing machine, heat-convectors, carpets, mattresses etc. brought after the cut off date shall not be considered for additional capitalization for determination of tariff with effect from 1.4.2004.*

(4) *Impact of additional capitalization in tariff revision may be considered by the Commission twice in a tariff period, including revision of tariff after the cut off date.*

Note 2

Any expenditure on replacement of old assets shall be considered after writing off the gross value of the original assets from the original project cost, except such items as are listed in clause (3) of this regulation."

9. The additional capital expenditure claimed as per books of accounts is as under:

(Rs.in lakh)

Items	2004-05	2005-06	Total
Total additional expenditure on the station as per books of accounts (A)	535	599	1135
Exclusions for additional capitalization vis-à-vis books of accounts (B)	(-)31	(-)7	(-) 38
Total additional capitalization (A-B)	566	606	1173

Exclusions

10. The petitioner by way of negative entries has excluded an amount of Rs.31 lakh in 2004-05 and Rs.7 lakh in 2005-06, on account of de-capitalisation of unserviceable assets like trucks, bus, cars, jeeps and hospital equipments etc. The petitioner has submitted that that the assets have been de-capitalised for accounting purposes only and are not to be de-capitalised for the purpose of tariff, until replaced.

11. The submission of the petitioner for exclusion of the amount of Rs.38 lakh during the period 2005-06, is not justified as unserviceable assets which are not in use have to be taken out from capital base for the purpose of tariff. As and when the petitioner purchases new assets against the unserviceable assets, it may approach the Commission for capitalization of the same. Hence, exclusion on this count is not allowed.

12. The Commission vide its order dated 25.7.2007 had directed the petitioner to furnish the detailed categorization and consolidation for each asset under different clauses of Regulation 18 of the 2004 regulations for which capitalization has been claimed, with proper justification. The petitioner by its affidavit dated 22.10.2007 has submitted details of capitalization of items under different clauses of Regulation 18 of the 2004 regulations. The year-wise and category-wise break-up of the additional expenditure claimed by petitioner is as under:

(Rs. in lakh)

	Category	2004-05	2005-06	Total
Deferred liabilities/Balance payment under Regulations	18(2)(i)	(-) 51.43	47.07	(-) 4.36
Liabilities to meet award of arbitration	18(2)(ii)	117.74	14.94	132.68
Works/services which have become necessary for efficient and successful operation of station	18(2)(iv)	500.06	507.09	1007.15
Ash dyke work under approved scope of work	18(2)(v)	0	37.39	37.39
Total		566.37	606.49	1172.86

Undischarged liability

13. The Commission vide order dated 25.7.2007 had directed the petitioner to furnish the details of undischarged liability included in the additional capital expenditure as on 1.4.2004, 1.4.2005, 1.4.2006. The petitioner vide affidavit dated 27.9.2007 has submitted that undischarged liability of Rs.3.16 lakh as on 1.4.2005 and Rs.111.09 lakh as on 1.4.2006 are included in the claim for additional capitalization. The petitioner subsequently clarified by affidavit dated 30.10.2007 that there was no undischarged liability as on 1.4.2004. It is noticed that the petitioner has discharged an amount of Rs.1.31 lakh during 2005-06 and thus, the said amount of Rs.1.31 lakh is allowed to be capitalized.

14. After examining the asset-wise details and justification for additional capitalisation/ de-capitalisation claimed by the petitioner under various categories and by applying prudence check, the admissibility of additional capitalization is discussed in the succeeding paragraphs.

Expenditure on balance payment against works admitted by the Commission- {Regulation 18(2)(i)}

15. The Commission by its order dated 25.7.2007 had directed the petitioner to furnish reasons for delayed payment/capitalization of Rs103.50 lakh on the

cooling towers package which was capitalized in 1993-94 and de-capitalisation of Rs.41.12 lakh on fuel oil handling system during the year 2005-06. In response, the petitioner vide affidavit dated 23.8.2007 has clarified that final payments on the cooling towers package were delayed on account of the arbitration proceedings and in compliance with the award of the Arbitral Tribunal, payment of Rs.103.50 lakh was made in the year 2005-06. The petitioner also submitted that de-capitalisation in respect of fuel oil handling system was on account of the final settlement with the contractor, consequent upon the closure of contract. The reply furnished by the petitioner has been found to be in order.

16. The petitioner has de-capitalised a sum of Rs.51.43 lakh (capitalization of Rs.35.47 lakh and de-capitalisation of Rs.86.90 lakh) during the year 2004-05 and capitalized an amount of Rs.47.07 lakh (capitalization of Rs.115.57 lakh and de-capitalisation of Rs.68.50 lakh) during the year 2005-06 on account of balance payment against works admitted by the Commission during the tariff period 2001-04. The expenditure pertains to balance payments against works such as civil works, AHP spreader, switchyard and transformer, fuel oil handling system and cooling towers package etc., which are in the nature of deferred liabilities. It is observed that the claim of the petitioner also includes undischarged liability amounting to Rs.109.70 lakh. After deduction of the undischarged liability amount, de-capitalisation of an amount of Rs.114.15 lakh, on account of balance payments is allowed.

Liabilities to meet award of arbitration or for compliance of the order or decree of a Court- Regulation 18(2)(ii)}

17. The petitioner has claimed capital expenditure of Rs.117.74 lakh for the year 2004-05 and Rs.14.94 lakh for the year 2005-06 (totaling to Rs.132.68 lakh) on account of payment of enhanced land compensation awarded by the High Court. As the expenditure has been incurred to meet the award of the court, capitalization of Rs.131.68 lakh, after excluding the undischarged liability of Rs.1.00 lakh, is allowed.

Additional works/services - Regulation 18(2)(iv)

18. The petitioner has claimed capital expenditure of Rs.500.06 lakh for the year 2004-05 and Rs.507.09 lakh for the year 2005-06 (totaling to Rs.1007.15 lakh) on account of new works under this head. The items/assets procured under this head include mainly construction of roads, sheds for oil storage and test lab buildings, laying of sewerage pipelines, portable data acquisition systems for vibration monitoring, SQL and LAN server for different communications purposes, cuplok scaffolding system for overhauling of plant, hospital equipments, PA systems, guest house facilities, additional facilities in school, solar water systems, water filters, weighing machines, cable TV equipments, computer software, computer and communication equipments, office equipments, furniture, project for oil extraction, replacement of RALZB relays, installation of control panels and capital spares etc.

19. In terms of sub-clause (iv) of clause (2) of Regulation 18 of the 2004 regulations, any additional works/services which have become necessary for

efficient and successful operation of the generating station can be capitalized. On prudence check, it is noticed that some of the assets are in the nature of minor items/assets like portable data acquisition system for vibration monitoring weighing machines, computer software, solar water system, PA systems, guest house facilities, water filter, cable TV equipments, computer and communication equipments, office equipments, furniture etc. As the expenditure on minor items or equipment cannot be capitalized under clause (3) of Regulation 18 of the 2004 regulations, the claim for additional capitalization of the expenditure on these items is not allowed. However, certain other items/assets like communication equipments, computer server and storage device for maintenance planning through interaction with OEMs are meant for efficient and successful operation of the generating station and hence are in the best interest of respondent-beneficiaries. Capitalization of expenditure incurred on these items is allowed.

20. The petitioner has included an expenditure of Rs.4 lakh on work awarded to an NGO for a pilot project for bio-diesel extraction. The respondents, BSES Rajdhani Power Ltd and BSES Yamuna Power Ltd have objected to the capitalization of the said expenditure as, according to them, they do not contribute to the efficient and successful operation of the generating station. We are of the view that the expenditure on pilot project for bio-diesel extraction is in the nature of R&D and does not pertain to the operation of the generating station. Hence, the expenditure on this account is not allowed.

21. The petitioner has claimed an expenditure of Rs.12.52 lakh, on purchase of office computers/accessories and LAN server pentium-4, subsequent to the

implementation of ABT in the Northern Region. The first respondent has submitted that the expenditure should not be allowed to be capitalized as ABT was implemented in the Northern Region long back. The submission of the respondent merits consideration and the capitalization of expenditure on this account is not allowed.

22. The petitioner has claimed capital expenditure on spares, amounting to Rs.555.52 lakh for the period 2004-06, which do not form part of the approved cost. In response to the Commission's order dated 25.7.2007, the petitioner by affidavit dated 23.8.2007 has categorized the spares as insurance spares amounting to Rs.283.31 lakh and other spares amounting to Rs.272.20 lakh. The first respondent has submitted that the spares purchased after the cut-off date cannot be allowed to be capitalized and should be charged to O&M expenses.

23. On prudence check, it is observed that the spares procured by the petitioner are for consumption in future and are presently lying in its stores. The petitioner has already been allowed to capitalize initial spares in the capital cost of the generating station and claim maintenance spares as a component of the working capital in terms of the 2004 regulations. Hence, these spares should be charged to revenue as and when consumed as part of O&M expenses. Therefore, expenditure on these spares is not allowed to be capitalized, for the purpose of tariff.

24. In view of the above, capitalization of expenditure during the period 2004-06, under this head, is as under:

(Rs in lakh)					
Year	Additional capital expenditure claimed	De-capitalisation Considered	Undischarged liability not considered	Capitalisation not considered	Net additional capital expenditure allowed
2004-05	500.06	-	-	463.97	36.09
2005-06	507.09	4.80	2.05	349.43	150.81
Total	1007.15	4.80	2.05	813.40	186.90

Additional capital expenditure relating to Ash Dyke work under approved scheme: 18(2)(v)

25. The petitioner has claimed capital expenditure of Rs.37.39 lakh for the year 2005-06, on account of new works under the original scope of work for raising of ash dyke, that is, peripheral road in ash mound, shed for mobile equipment and additional ash conveying spreading system. The work of ash dyke has been undertaken by the petitioner for utilization of ash and protection of the environment.

26. The capitalization of additional expenditure amounting to Rs.36.84 lakh during the year 2005-06, under this head, is allowed after excluding the undischarged liability of Rs.0.55 lakh, as the expenditure is considered necessary for environmental protection.

Assets not in use as on 1.4.2005 and 1.4.2006

27. The Commission vide order dated 25.7.2007 had directed the petitioner to furnish the gross value of assets which were not in use or unserviceable as on 1.4.2005 and 1.4.2006. The petitioner vide affidavits dated 23.8.2007 and 22.10.2007 has submitted the details of unserviceable assets which mainly

comprise of vehicles, air conditioners, type writers etc. amounting to Rs.29.15 lakh as on 1.4.2005 and Rs.0.28 lakh as on 1.4.2006. The petitioner has clarified that unserviceable assets have been taken out of service and in cases of assets pending disposal, their values have been retained in the gross block at lower of their net book value/net realizable value. We are of the view that unserviceable assets which have been taken out of service cannot remain in the capital base for the purposes of tariff. Accordingly, assets worth Rs.29.15 lakh during the year 2004-05 and Rs.0.28 lakh during the year 2005-06 have been reduced from the gross block as on 1.4.2005 and 1.4.2006 respectively.

28. Based on the discussion in the preceding paragraphs, the following additional capital expenditures allowed during the years 2004-05 and 2005-06 are allowed:

Category	Total Amount claimed	(Rs in lakh)		
		Additional Capital Expenditure allowed		
		2004-05	2005-06	Total
Balance payments-18(2)(i)	(-) 4.36	(-) 52.74	(-) 61.41	(-) 114.15
Liabilities to meet award of arbitration or for compliance of the order or decree of a Court-18(2)(ii)	132.68	116.74	14.94	131.68
Works/services which have become necessary for efficient and successful operation of station-18(2)(iv)	1007.15	36.09	150.81	186.90
Ash Dyke work under approve scope-18(2)(v)	37.39	-	36.83	36.83
Liability discharged		-	1.31	1.31
Less: Exclusions not considered	-	37.25	7.21	44.46
Less: Assets not in use		29.15	0.28	29.43
Total	1172.86	33.69	134.99	168.68

Capital cost

29. As already noted, the Commission had admitted the capital cost of Rs.171622 lakh as on 1.4.2004, inclusive of FERV of Rs.206 lakh and additional

capitalization on works amounting to Rs.7235 lakh as on 1.4.2004 for determining tariff for the period 2004-09.

30. Taking into account the capital cost of the generating station as on 1.4.2004 and the additional capital expenditure for the years 2004-05 and 2005-06 as approved in para 28 above, the capital cost for the period 2004-09 is worked out as follows:

	(Rs in lakh)				
	2004-05	2005-06	2006-07	2007-08	2008-09
Opening capital cost	171622.00	171655.69	171790.68	171790.68	171790.68
Additional capital expenditure	33.69	134.99	-	-	-
Closing capital cost	171655.69	171790.68	171790.68	171790.68	171790.68
Average Capital cost	171638.84	171723.18	171790.68	171790.68	171790.68

Debt-Equity ratio

31. Clause (1) of Regulation 20 of the 2004 regulations, as amended, provides that:

“(1) In case of the existing generating stations, debt-equity ratio considered by the Commission for the period ending 31.3.2004 shall be considered for determination of tariff with effect from 1.4.2004:

Provided that in cases where the tariff for the period ending 31.3.2004 has not been determined by the Commission, debt-equity ratio shall be as may be decided by the Commission:

Provided further that in case of the existing generating stations where additional capitalisation has been completed on or after 1.4.2004 and admitted by the Commission under Regulation 18, equity in the additional capitalization to be considered shall be,-

(a) 30% of the additional capital expenditure admitted by the Commission;
or

(b) equity approved by the competent authority in the financial package, for additional capitalization; or

(c) actual equity employed,

Whichever is the least:

Provided further that in case of additional capital expenditure admitted under the second proviso, the Commission may consider equity of more than 30% if the generating company is able to satisfy the Commission

that deployment of such equity of more than 30% was in the interest of general public”.

32. The petitioner has claimed debt-equity ratio of 50:50 for the purpose of additional capitalization. The petitioner under its affidavit dated 23.8.2007 has stated that the additional capital expenditure has been financed from its internal accruals/ resources. In reply, the respondents BRPL and BYPL by separate affidavits dated 22.10.2007 have submitted that the claim of debt-equity ratio of 50:50 by the petitioner is not in conformity with the normative debt-equity ratio of 70:30 provided in the 2004 regulations.

33. As the equity component of additional capitalization is more than 30%, the debt-equity ratio of 70:30 has been considered for additional capitalization in terms of sub-clause (a) of clause (1) of Regulation 20 of the 2004 regulations. Accordingly, additional notional equity of the generating station on account of capitalization approved, works out as under:

	(Rs. in lakh)	
	2004-05	2005-06
Notional Equity	10.11	40.50

Return on Equity

34. Return on equity is allowed @ 14% on the average normative equity, as under:

	(Rs. in lakh)				
	2004-05	2005-06	2006-07	2007-08	2008-09
Equity opening	85811	85821	85862	85862	85862
Equity due to Additional capitalization	10	40	0	0	0
Equity closing	85821	85862	85862	85862	85862
Average equity	85816	85841	85862	85862	85862
Return on equity @ 14%	12014	12018	12021	12021	12021

Interest on loan

35. Interest on loan has been worked out as mentioned below:

- (a) Considering the cumulative repayment of loan of Rs.69140 lakh, up to 31.3.2004, the normative loan outstanding as on 1.4.2004, as per order dated 5.5.2006 in Petition No. 162/2004 was Rs.16671 lakh. The cumulative repayment of loan was subsequently revised to Rs.57931.26 lakh by the Commission vide order dated 25.1.2008 in Petition No. 40/2001 while implementing judgment of the Appellate Tribunal for Electricity. The revised figure has been considered while calculating the impact of additional capital expenditure and correspondingly, the notional loan opening as on 1.4.2004 works out to Rs. 27880 lakh.
- (b) The notional loan arising out of additional capital expenditure for the year 2004-05 was Rs.23.58 lakh and for the year 2005-06 it was Rs.94.50 lakh. Hence, the total outstanding notional loan during 2005-06 and 2006-07 was Rs.85835 lakh and Rs.85929 lakh respectively.
- (c) As there is no addition in actual loan portfolio, the rate of interest as adopted in the order dated 5.5.2006 in Petition No.162/2004 which took into account swapping of costlier loan by cheaper loan, has been considered.

- (d) Normative repayment of loan considered is equal to the admissible depreciation for the year or normative repayment whichever is higher, as considered in the determination of the tariff for other generating stations of the petitioner for the period 2004-09. This is however subject to the final decision of the Hon'ble Supreme Court in Civil Appeal No. 5434/2007 and other related appeals.
- (e) The repayment of loan gets restricted to Rs.4309 lakh during the last year of the tariff period which is equal to the outstanding notional loan. Thus, entire notional loan gets repaid in the year 2008-09.

36. Interest on loan has been computed as under:

Details	Order dated 5.5.2006	(Rs in lakh)				
		2004-05	2005-06	2006-07	2007-08	2008-09
Gross Loan Opening	85811	85811	85835	85929	85929	85929
Cumulative repayment of deemed loan upto previous year	57931	57931	63850	69772	75696	81620
Net loan opening	27880	27880	21984	16157	10233	4309
Addition of loan due to additional capital expenditure		24	94	0	0	0
Repayment of loan during the year		5919	5922	5924	5924	4309
Net loan Closing		21984	16157	10233	4309	0
Average Loan		24932	19071	13195	7271	2155
Weighted average Rate of Interest		8.9805%	8.9805%	9.0805%	9.3660%	9.5800%
Interest on Loan		2239	1713	1198	681	206

Depreciation

37. The petitioner has calculated the weighted average rate of depreciation as 3.45% in terms of order dated 5.5.2006 in Petition No. 162/2004. In the order

dated 5.5.2006, the remaining depreciation recoverable was spread over the balance useful life of 14.12 years of the generating station from 2007-08 onwards, as entire normative loan was repaid in 2006-07. However, on account of the change in the repayment methodology in accordance with the judgment of the Appellate Tribunal for Electricity *ibid*, entire notional loan is now repaid in 2008-09. Adjustment of cumulative depreciation on account of decapitalisation of assets has been considered in the calculations as carried out in the tariff orders for the period 2004-09 for other generating stations of the petitioner. The weighted average rate of depreciation as applicable for the different years has been computed and the reduction in cumulative depreciation has been worked out as Rs.60 lakh for 2004-05 and Rs.10 lakh for 2005-06. Adjustment of cumulative depreciation has been restricted to 90% of the total value of the assets. The necessary calculations are as under:

		(Rs in lakh)				
	Order dated 5.5.2006	2004-05	2005-06	2006-07	2007-08	2008-09
Opening capital cost		171622	171656	171791	171791	171791
Closing capital cost		171656	171791	171791	171791	171791
Average capital cost		171639	171723	171791	171791	171791
Depreciable value @ 90%	149039	149054	149130	149190	149190	149190
Balance depreciable value	57395	57410	51617	45756	39832	33907
Balance useful life		-	-	-	14.12	13.12
Depreciation		5919	5922	5924	5924	5924

Advance Against Depreciation

38. The petitioner has not claimed Advance Against Depreciation. Therefore the petitioner's entitlement to Advance Against Depreciation is "nil"

O&M expenses

39. O&M expenses as considered in the order dated 5.5.2006 in Petition No.162/2004 have been considered.

Interest on Working capital

40. For the purpose of calculation of working capital, the operating parameters including the price of fuel components as considered in the order dated 5.5.2006 have been kept unchanged. The “receivables” component of the working capital has been revised for the reason of revision of return on equity, interest on loan, etc. The necessary details in support of calculation of interest on working capital are as under:

	(Rs in lakh)				
	2004-05	2005-06	2006-07	2007-08	2008-09
Coal Stock	12703	12703	12703	12738	12703
Oil Stock	267	267	267	268	267
O & M expenses	728	757	788	819	852
Maintenance spares	2370	2512	2662	2822	2992
Receivables	18377	18352	18330	18346	18299
Total Working Capital	34445	34591	34750	34993	35113
Rate of Interest	10.25%	10.25%	10.25%	10.25%	10.25%
Interest on Working Capital	3531	3546	3562	3587	3599

41. The target availability of 80% considered by the Commission in the order dated 5.5.2006 remains unchanged. Similarly, other parameters viz., specific fuel consumption, Auxiliary Power consumption and Station Heat rate etc considered in the order dated 5.5.2006 have been retained for the purpose of calculation of the revised fixed charges.

42. The revised annual fixed charges for the period from 1.4.2004 to 31.3.2009 are summarized as under:

Particulars	(Rs. in lakh)				
	2004-05	2005-06	2006-07	2007-08	2008-09
Interest on Loan	2239	1713	1198	681	206
Interest on Working Capital	3531	3546	3562	3587	3599
Depreciation	5919	5922	5924	5924	5924
Advance Against Depreciation	0	0	0	0	0
Return on Equity	12014	12018	12021	12021	12021
O & M Expenses	8736	9089	9450	9828	10223
TOTAL	32439	32287	32155	32041	31973

43. The petitioner shall claim the difference from the beneficiaries in three equal monthly installments.

44. The petitioner's prayer in clause (iv) of the petition, and extracted in para 1 of this order, is disposed of in terms of the decision of the Commission in para 46 of the order dated 29.9.2008 in Petition No. 27/2007, pertaining to revision of fixed charges based on impact of additional capital expenditure in respect of Kahalgaon Super Thermal Power Station, Stage-I (840 MW).

45. As regards the prayer of the petitioner for recovery of filing fees from the beneficiaries, the decision of the Commission in order dated 11.9.2008 in Petition No. 129/2005 (*suo motu*) pertaining to reimbursement of application fee and publication charges would be applicable.

46. Petition No.34/2007 stands disposed of in terms of the above.

Sd/-
(R. KRISHNAMOORTHY)
MEMBER

Sd/-
(BHANU BHUSHAN)
MEMBER

New Delhi dated the 24th November, 2008