

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Coram:

1. **Dr. Pramod Deo, Chairperson**
2. **Shri R.Krishnamoorthy, Member**

**Review Petition No. 101/2008
in
Petition No. 29/2007**

In the matter of

Review of order dated 30.7.2008 in Petition No.29/2007 approving revised fixed charges of Ramagundam Super Thermal Power Station, Stage-I and Stage-II (2100 MW) for the period 2004-09 after considering the impact of additional capital expenditure incurred during 2004-05 and 2005-06.

And in the matter of

NTPC Ltd, New Delhi

... .. **Petitioner**

Vs

1. Transmission Corporation of Andhra Pradesh, Hyderabad
 2. A.P. Eastern Power Distribution Company Ltd., Visakhapatnam
 3. A.P. Southern Power Distribution Company Ltd., Tirupathi
 4. A.P. Northern Power Distribution Company Ltd., Warangal
 5. A.P Central Power Distribution Company Ltd., Hyderabad
 6. Tamil Nadu Electricity Board, Chennai
 7. Karnataka Power Transmission Corporation Ltd, Bangalore
 8. Bangalore Electricity Supply Company Ltd., Bangalore
 9. Mangalore Electricity Supply Company Ltd, Mangalore
 10. Chamundeshwari Electricity Supply Corp. Ltd., Mysore
 11. Gulbarga Electricity Supply Company Ltd., Gulbarga
 12. Hubli Electric Supply Company Ltd, Hubli
 13. Kerala State Electricity Board, Thiruvananthapuram
 14. Electricity Department, Govt. of Puducherry, Puducherry
 15. Electricity Department, Govt. of Goa, Goa
- **Respondents**

The following were present:

1. Shri A.K.Juneja, NTPC
2. Shri M Saxena, NTPC
3. Shri V K Padha, NTPC

ORDER
(Date of Hearing: 7.10.2008)

The petitioner, NTPC Limited, has filed this application seeking review of the order dated 30.7.2008 in Petition No. 29/2007 (hereinafter referred to as the said order) under which the fixed charges for the period 2004-09 in respect of Ramagundam Super Thermal Power Station Stage-I and Stage-II (hereinafter referred to as "the generating station") were revised after considering the impact of the additional capital expenditure incurred during 2004-05 and 2005-06. The petitioner has sought review of the said order limited to the following two points:

- (i) Non-exclusion of depreciation from cumulative depreciation recovered till date related to de-capitalized assets of Rs.162.3 lakh, reduced from additional expenditure of new works under CEA approved R&M scheme; and
- (ii) Disallowance the claim of the petitioner towards CEA approved R&M Scheme including RLA studies vide Para 31 of the said order.

2. The petitioner, in relation to the first point has submitted that the Commission in para 20 of the said order had taken out an amount of Rs.162.38 lakh of decapitalised assets from the capital cost while approving additional capital expenditure of Rs.1437.55 lakh towards new works under the R & M scheme approved by the CEA. It has been stated that the details of those assets

were not included in the claim as actual de-capitalization had not been carried out in the books of accounts. In compliance with the directions of the Commission, the petitioner, vide affidavit dated 27.9.2007, had submitted the details of the assets proposed to be de-capitalized without corresponding depreciation amounts for these items, presuming that reduction of the de-capitalized amount from the capital cost would be effected only after de-capitalization in books of accounts. It has been prayed that depreciation amount of Rs.146.15 lakh on account of the de-capitalized items be adjusted against the cumulative depreciation recovered and added to the balance depreciable value given in para 41 of the said order.

3. As regards the second point, the petitioner has submitted that the Commission had not allowed capitalization of expenditure of Rs.323.45 lakh on R & M scheme including expenditure on Residual Life Assessment (RLA) studies of the generating station on the ground that it would be capitalized only after R&M works were undertaken and completed on the basis of such studies benefiting the generating station. The petitioner has submitted that before R&M/Life Extension Program is taken up, it is mandatory that comprehensive RLA studies of all critical components are undertaken to assess the current condition of the critical parts and predict its safe and useful remaining life. The petitioner has already incurred an expenditure of Rs.152.01 lakh on RLA studies in 2004-05 and 2005-06. Since some of the works identified under RLA studies for R&M have already been completed and others are in the process of

execution, the expenditure needs to be capitalized and serviced in tariff in the respective year. The petitioner has submitted that an error has crept in the order on account of disallowance of the expenditure on R & M scheme which needs to be rectified in review.

4. The petition was listed before us for admission. We heard the representative of the petitioner on the points raised in the application for review. After careful examination of the material on record and oral submissions of the petitioner, we propose to dispose of the review petition at the admission stage for the reasons recorded in the succeeding paragraphs.

Non-exclusion of depreciation recovered till date from cumulative depreciation

5. The Commission, in the said order, had allowed adjustment of cumulative depreciation of an amount of Rs.231.20 lakh during 2004-05 and Rs.83.70 lakh during 2005-06 based on the details such as gross value of the assets removed from the book of accounts, the dates when the assets were put to use and the amount of depreciation recovered, etc. The assets against which the petitioner is now seeking adjustment in depreciation are those assets which are proposed for de-capitalization but against which new assets had already been procured. In the absence of relevant details such as the date when the assets were put to use and the amount of depreciation recovered, adjustment in cumulative depreciation was not possible. Since these details were not furnished by the petitioner, there

is no error apparent on the face of record on this point. The petitioner's request for review of the order on this ground is not allowed as it does not conform to the grounds for review under Rule 1 of Order 47 of the CPC.

Disallowance of the expenditure on R & M Scheme including RLA studies

6. The Commission had not allowed an expenditure of Rs.323.45 lakh for capitalization which included Rs.152.01 lakh on RLA studies and Rs.171.44 lakh on R&M works under the approved R&M Scheme by the CEA. As regards the expenditure on RLA studies, it is the consistent view of the Commission that expenditure on RLA studies is not of capital nature and as per the accounting principles, it is charged to revenue. Accordingly, the expenditure has not been capitalized. The Appellate Tribunal for Electricity, in its judgment dated 6.6.2007 in Appeals Nos. 9/2007 and 205/2005 in respect of Tanda TPS had disallowed inclusion of any expenditure which was not a part of the gross block. Accordingly, capitalization of expenditure on RLA studies cannot be allowed. As regards expenditure on R&M works, it was observed that the expenditure of Rs.171.44 lakh was incurred on replacement of items like control valves, equipments, underground fire water line, circuit breakers, gauges, relays etc. This expenditure too cannot be said to be of capital nature. Therefore, question of its capitalization does not arise. Accordingly, no ground for review of the said order for not allowing capitalization of expenditure on R&M scheme has been made out.

7. In view of the above, we do not find any ground to review of the said order and the petition is dismissed at the admission stage itself.

Sd/-
[R KRISHNAMOORTHY]
MEMBER

Sd/-
[DR. PRAMOD DEO]
CHAIRPERSON

New Delhi, dated the 15th October, 2008