

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Coram:

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

Petition No. 27/2007

In the matter of

Approval of revised fixed charges after considering the impact of additional capital expenditure incurred during 2004-05 and 2005-06 for Kahalgaon Super Thermal Power Station, Stage-I (840 MW).

And in the matter of

NTPC Limited, New Delhi

...Petitioner

Vs

1. West Bengal State Electricity Board, Kolkata
2. Bihar State Electricity Board, Patna
3. Jharkhand State Electricity Board, Ranchi
4. Grid Corporation of Orissa Ltd., Bhubaneswar
5. Damodar Valley Corporation, Kolkata
6. Power Department, Govt. of Sikkim, Gangtok
7. Tamil Nadu Electricity Board, Chennai
8. Union Territory of Pondicherry, Electricity Deptt, Pondicherry
9. Uttar Pradesh Power Corporation Ltd, Lucknow
10. Power Development Department, Govt. of J&K, Srinagar
11. Power Deptt., Union Territory of Chandigarh , Chandigarh
12. Madhya Pradesh Power Trading Ltd., Jabalpur
13. Gujarat Urja Vikas Nigam Limited, Baroda
14. Electricity Deptt., Administration of Daman & Diu, Daman
15. Electricity Deptt., Administration of Dadra and Nagar Haveli, Silvassa
16. Delhi Transco Limited, New Delhi
17. Maharashtra State Electricity Distribution Company Ltd., Mumbai **..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 Deepak Srivastava, MPPTCL
16. Shri A.K.Garg, MPPTCL
17. Shri R.Krishnaswami, TNEB

ORDER
(DATE OF HEARING: 23.10.2007)

The petitioner has made this application for approval of the revised fixed charges for the period 2004-09, after considering the impact of additional capital expenditure incurred during 2004-05 and 2005-06, in respect of Kahalgaon Super Thermal Power Station, Stage-I (840 MW), (hereinafter referred to as "the generating station") 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 revised fixed charges of this station after considering the impact of additional capital expenditure as per details given in Annexure-I.*
- (ii) allow the servicing of the capital expenditure from the year the same is incurred.*
- (iii) allow the petitioner to approach the Hon'ble Commission for another revision of fixed charges before 31.3.2009 and one revision after the tariff period i.e after 31.3.2009*
- (iv) allow the recovery of filing fees from the beneficiary respondents.*
- (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 of 4 units of 210 MW each. The date of commercial operation of the generating station is 1.8.1996. The tariff for the generating station for the period 1.4.2004 to 31.3.2009, was awarded by the Commission by its order dated 23.11.2006 in Petition No.120/2005, based on

the capital cost of Rs.202704.41 lakh as on 1.4.2004 (including FERV of Rs.1207.27 lakh and additional capitalization on works of Rs.5522.43 lakh, up to 31.3.2004). The annual fixed charges approved by the Commission are as under:

Particulars	(Rs. in lakh)				
	2004-05	2005-06	2006-07	2007-08	2008-09
Interest on Loan	562	27	0	0	0
Interest on Working Capital	2688	2706	2682	2717	2743
Depreciation	7462	7462	4445	4445	4445
Advance Against Depreciation	0	0	0	0	0
Return on Equity	14189	14189	14189	14189	14189
O & M Expenses	8736	9089	9450	9828	10223
TOTAL	33638	33473	30766	31179	31600

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 claimed	1066.17	484.48	1550.65

4. Reply to the petition has been filed by WBSEDCL, TNEB, MPPTCL, MSEDCL and BSEB.

ADDITIONAL CAPITALISATION

5. Regulation 18 of the 2004 regulations provides for considering the additional capital expenditure for tariff as under:

(1) The following capital expenditure within the original scope of work actually incurred after the date of commercial operation and up to the cut off date may be admitted by the Commission, subject to prudence check:

- (i) Deferred liabilities;*
- (ii) Works deferred for execution;*

- (iii) *Procurement of initial capital spares in the original scope of work, subject to ceiling specified in regulation 17:*
- (iv) *Liabilities to meet award of arbitration or for compliance of the order or decree of a court: and*
- (v) *On account of change in law.*

Provided further that a list of the deferred liabilities and works deferred for execution shall be submitted along with the application for final tariff after the date of commercial operation.

(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 with in 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.

6. Before considering the petitioner's claim for additional capitalization, we deal with some of the preliminary issues raised by the respondents.

7. Some of the respondents have pointed out that the petitioner had already availed of revision of tariff on two occasions, on the basis of the capital expenditure incurred after the date of commercial operation and, therefore, the petitioner is not entitled to revision of tariff in view of clause (4) of Regulations 18 *ibid*. In our view, the argument overlooks the specific provisions of clause (2) of Regulation 18, according to which certain kinds of expenditure incurred can be allowed to be capitalized, after the cut-off date. Clause (4) of Regulation limits revision of tariff to two occasions during the tariff period 2004-09. This is for the first time that the petitioner has sought revision during the current tariff period and in that view, revision of tariff is admissible under the 2004 regulations. It also bears notice that the concept of cut-off date has been introduced with effect from 1.4.2004 only.

8. The respondents have objected to the petitioner's claim for capitalization of spares over and above the spares already capitalized. We find merit in the objection. Capitalization of additional spares is not being allowed.

9. Another objection of the respondents relates to apportionment of the expenditure allowed to be capitalized between debt and equity. It has been pointed out that the additional capital expenditure should not be apportioned in the ratio of 50:50. This objection of the respondents is to be upheld. In accordance with the 2004 regulations such an expenditure is to be divided into debt and equity in the normative ratio of 70:30, irrespective of the source of financing. Therefore, it is not necessary to have the details of actual funding of the expenditure, though the petitioner has claimed that the expenditure has been invested through its internal resources.

10. Some of the respondents have emphasized that the expenditure to be capitalized for the purpose of tariff should be based on audited accounts. We find the objection to be valid. The capitalization of expenditure is being allowed based on audited balance sheets and the expenditure.

11. It has been further urged by some of the respondents that revision of tariff should be allowed during the year following the year in which the expenditure has been incurred. This contention of the respondents is without merit, being contrary to the 2004 regulations. However, revision of tariff is to be allowed based on the average capital cost arrived at after taking into account the additional capital expenditure.

12. The respondents have further argued that the cost of the assets being replaced should be withdrawn from the gross block. This has been accepted. The cost of the assets replaced has been removed from the gross block. Similarly, depreciation recovered against the replaced assets has also been adjusted.

13. UPPCL in its reply has pointed out that FERV should be allowed against loan component only, in view of the Appellate Tribunal's judgments. The contention of UPPCL is not relevant for the purpose of the present proceedings as FERV is not being capitalized.

14. We now consider the petitioner's claim on merits. The additional capital expenditure claimed as per books of accounts is as under:

(Rs.in lakh)

	2004-05	2005-06	Total
Total additional expenditure on the station as per books of accounts including FERV (A)	1102.53	1015.86	2118.39
Exclusions from books of accounts for calculating additional capitalization (B)	36.35	531.38	567.73
Additional capital expenditure claimed (A-B)	1066.17	484.48	1550.65

15. The summary of exclusions from the books of accounts claimed by the petitioner is as under:

(Rs. in lakh)			
Head	2004-05	2005-06	Total
Inter-unit transfers	30.42	0	30.42
FERV	5.93	531.38	537.31
Total	36.35	531.38	567.73

Exclusions

16. Now, we consider the exclusions under different heads in the claim.

(a) Inter-unit transfers: During 2004-05, an amount of Rs.30.42 lakh has been excluded under this head on account of transfer of assets like traction generator and transformer etc., to other generating stations of the petitioner. The petitioner has submitted that the Commission in the past had permitted exclusion of such temporary transfers for the tariff purpose and allowed them to be retained in the capital base of the originating station. Accordingly, the petitioner has excluded such amounts as per the entries in the books of accounts for the purpose of its claim for additional capitalization. The Commission while dealing with additional capitalization petitions in respect of other generating stations of the petitioner had decided that both positive and negative entries arising out of inter-unit transfers of temporary nature shall be ignored for the purposes of tariff. In consideration of the said decision, the exclusion of the amount of Rs.30.42 lakh on account of inter-unit transfer of equipments is allowed.

(b) FERV: The claim for exclusion of an amount of Rs.5.93 lakh during the year 2004-05 and Rs.531.98 lakh during the year 2005-06, (totaling Rs.537.31 lakh)

on account of impact of FERV is allowed, as the said amount has been billed directly to the beneficiaries in accordance with the 2004 regulations.

17. The Commission vide its order dated 27.8.2007 had directed the petitioner to furnish the detailed categorization and consolidation under different clauses of Regulation 18 of the 2004 regulations for each asset for which capitalization had been claimed, with proper justification. The petitioner by its affidavit dated 12.10.2007 has submitted that all items of capitalization fall under clause (2) of Regulation 18 of the 2004 regulations, as shown below:

(In Rupees)			
Category	2004-05	2005-06	Total
Deferred liabilities- 18(2) (i)	91265630	2704778	93970408
Liabilities to meet award of arbitration or for compliance of the order or decree of a court- 18(2) (ii)	0	0	0
On account of change in law -18(2) (iii)	0	1426753	1426753
Additional works/services which have become necessary for efficient and successful operation of the generating station, but not included in the original project cost- 18(2) (iv)	13932635	44316437	58249072
Deferred works relating to ash pond or ash handling system in the original scope of work- 18(2) (v)	5340512	0	5340512
Replacements	(-) 3921685	0	(-) 3921685
Total	106617092	48447968	155065060

18. On prudence check of the additional expenditure for the years 2004-05 and 2005-06 claimed, it is observed that the petitioner has claimed the expenditure pertaining to enhanced compensation on land, construction of ash brick manufacturing plant, in categories other than which they correctly fall. Accordingly, the additional capital expenditure for the years 2004-05 and 2005-06 has been segregated and classified under the following heads:

(Rs in lakh)

Category	2004-05	2005-06	Total
Deferred liabilities- 18(2) (i)	900.18	16.48	916.66
Liabilities to meet award of arbitration or for compliance of the order or decree of a court- 18(2) (ii)	12.48	10.57	23.05
On account of change in law -18(2) (iii)	53.41	14.27	67.68
Additional works/services which have become necessary for efficient and successful operation of the generating station, but not included in the original project cost- 18(2) (iv)	139.32	443.16	582.48
Deferred works relating to ash pond or ash handling system in the original scope of work- 18(2) (v)	0	0	0
Replacements	(-) 39.22	0	(-) 39.22
Total	1066.17	484.48	1550.65

19. After applying prudence check on the asset-wise details and justification of additional capitalization claimed by the petitioner under various categories and by excluding the undischarged liability for the years 2004-05 and 2005-06, the admissibility of additional capitalization is discussed in the succeeding paragraphs.

Deferred liabilities relating to works/services within the original scope of work {Regulation 18(2)(i)}

20. The petitioner has claimed capital expenditure of Rs.900.18 lakh and Rs.16.48 lakh during the years 2004-05 and 2005-06 respectively, on account of the balance payments against the works admitted by the Commission as under:

(Rs in lakh)

Nature of work	2004-05	2005-06
Supply and erection of CW Chemical treatment	39.84	0.00
Modification of drainage work	1.84	0.00
TG erection and TI package.		30.12
Balance work of station lighting packing.	(-)1.17	0.00
O H Water tank In TTS	0	(-)1.20
2 No. OH water tank plant	0	(-)1.03
Sewerage system - plant	0	(-)5.68
Approach road from TTS to plant	0	(-)1.65
Pipe	0	(-)4.39
CW chemical treatment	0	(-)11.44
Construction of community centre	(-)1.34	0.00
RCC road from dozer shed -cruiser	0	2.22
Approach road to fly over bridge- chopaltola	2.05	0.00
Area Illumination - II	0.15	0
Construction of approach road	0.28	0
Construction of lubricant storage platform	0.29	0
Dry ash extraction package	0.15	0
Administrative building furnishing	0	0.84
Development of storage shed for lubrication oil	9.02	0
Storage shed for lubrication oil and insulating oil	1.08	0
Construction of drainage	0	7.48
Construction of class room for vidyabhawan	(-) 0.25	0
Supply and erection of liquid waste treatment plant	0.63	0
Construction of RCC pedestal for ash pipeline	2.94	0
Strengthening of plant main road		1.21
Construction of road boundary wall, drainage, gate, class rooms etc. at administrative building, hospital, township and schools.	95.37	0
Fire detection/ protection system and external electrification of admn. building	39.37	0
Control and instrumentation equipments and systems such as oxygen analyser system, PLC board and turbo-supervisory system etc.	39.42	0
Material handling equipments such as pay loader and fork lifts	29.63	0
400 kv s/yard extension package	640.89	0
Total	900.18	16.48

21. MPPTCL, (respondent No. 12) has submitted that the expenditure for construction of 400 kV line bays based on the approval of the Central Electricity Authority (CEA) for strengthening the existing system and for facilitating connection

with the Northern Region Grid for evacuation of power through Kahalgaon- Biharsarif lines Nos. 3 and 4 should be borne by the Northern and Eastern Region constituents only and should not be capitalized. Similarly, TNEB (respondent No. 7) has submitted that since Kahalgaon- Biharsarif lines Nos. 3 and 4 are part of inter-regional transmission asset, the expenditure has to be shared in accordance with the applicable regulations for sharing the inter-regional asset.

22. The approval of CEA for capital addition of 2 Nos. of 400 kV line bays for the generating station pertain to strengthening of the existing system and as such, the expenditure on construction of 400 kV bays forms an integral part of the existing 400 kV switchyard and is for the benefit of the respondents. Hence, the respondent-beneficiaries are required to bear the fixed charges on capital cost proportionate to their share of power from the generating station. The submissions of the respondents Nos. 7 and 12 are thus, devoid of merit.

23. The expenditure incurred by the petitioner is of the nature of deferred liabilities, on account of balance payments against works/services within the original scope of work already admitted. As such, capitalization of an amount of Rs.900.18 lakh for the year 2004-05 and Rs.16.48 lakh for 2005-06 on account of balance payments is allowed in terms of sub-clause (i) of clause (2) of Regulation 18 of the 2004 regulations.

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

24. The petitioner has claimed an amount of Rs.12.48 lakh for the year 2004-05 and Rs.10.57 lakh for the year 2005-06, on account of payments made to meet the

awards made by the court towards enhanced compensation for the land acquired. Hence, the expenditure claimed is allowed to be capitalized.

On account of change in law {Regulation 18(2)(iii)}

25. Expenditure of Rs.53.41 lakh in the year 2004-05 and Rs.14.27 lakh in the year 2005-06 has been incurred by the petitioner under this head for construction of ash brick manufacturing plant, to meet the requirements under the provisions of the Energy Conservation Act, 2001, the Environmental Action Plan and also the obligations under the Ministry of Environment and Forests notification dated 14.9.1999 for 100% ash utilization of thermal power station. Accordingly, the claim for Rs.67.68 lakh is allowed and the expenditure has been capitalized.

Additional works/services {Regulation 18(2)(iv)}

26. The petitioner has claimed an expenditure of Rs.582.48 lakh for the period 2004-06 (Rs.139.32 lakh for 2004-05 and Rs.443.16 lakh for 2005-06) on new works under this head. Against this claim for capitalization, expenditure amounting to Rs.139.32 lakh in the year 2004-05 and Rs.437.33 lakh in the year 2005-06 relates to capitalization of spares. The consumption of spares forms part of O&M expenses. As such, the expenditure of Rs.576.65 lakh is not allowed to be capitalized. However, the balance expenditure of Rs.5.84 lakh claimed for the works of fire detection and protection system at fuel oil pump has been examined and found to be in order, since the expenditure is incurred on safety considerations.

Expenditure on replacement of assets

27. An amount of Rs.39.22 lakh for the year 2004-05 has been sought to be de-capitalised under this head. The de-capitalised assets include condemned wagons,

jeep and motor cycle as they have become unusable. The petitioner has submitted that the replacements shall be capitalized after their procurement and proposal for capitalization of the same will be submitted to the Commission. As such, the decapitalization of Rs.39.22 lakh is allowed.

Undischarged liability

28. The petitioner was directed to furnish the undischarged liability amounts included in the additional capital expenditure claimed. The petitioner by affidavit dated 12.10.2007 has submitted that undischarged liability amounting to Rs.164.90 lakh as on 1.4.2005 and Rs.165.93 lakh as on 1.4.2006 were included in the claim for additional capitalization. The petitioner by affidavit dated 28.11.2007 has also submitted that there was no undischarged liability as on 1.4.2004.

29. It is observed that undischarged liabilities of Rs.164.9 lakh in the year 2004-05 in respect of assets like 400 kV s/y package, fire detection/protection system and external electrification of administrative building and construction of road, boundary wall, drainage, gates, classroom etc, and Rs.1.04 lakh in the year 2005-06 in respect of fire detection/protection systems have been included in the claim of the petitioner. Since there was no payment in respect of undischarged liabilities of Rs.164.90 lakh as on 1.4.2005 during the year 2005-06, the same has been brought forward by the petitioner to the gross block as on 1.4.2006, along with the undischarged liability of Rs.1.04 lakh in the year 2005-06. The above amounts are not admitted for capitalisation.

IDC

30. The petitioner has submitted that IDC included in the additional capital expenditure is "Nil" during the year 2004-06.

Assets not in use as on 1.4.2005 and 1.4.2006

31. The Commission vide its order dated 27.8.2007 had directed the petitioner to furnish the details of assets which were not in use or were unserviceable. The petitioner vide affidavit dated 12.10.2007 has submitted that all assets as per gross block provided in the balance sheet, including the assets for which additional capitalization has been claimed were in use as on 1.4.2005 and 1.4.2006. The petitioner has, however, stated that identified unserviceable assets have been taken out of service and in cases of assets like passenger vehicles, crane etc., where their disposal is pending, value of such assets have been retained in the gross block at lower of their net book value/net realizable value. As unserviceable assets taken out cannot be allowed to remain in the capital base for the purposes of tariff, the values of such assets, amounting to Rs.24.29 lakh for the year 2004-05 have been taken out from the gross block as on 1.4.2005.

32. Based on the discussions in the preceding paragraphs, the additional capital expenditure allowed during the period 2004-06 is as under:

(Rs.in lakh)

Category	2004-05	2005-06	Total
Deferred liabilities- 18(2) (i)	900.18	16.48	916.66
Liabilities to meet award of arbitration or for compliance of the order or decree of a court- 18(2) (ii)	12.48	10.57	23.05
On account of change in law -18(2) (iii)	53.41	14.27	67.68
Additional works/services which have become necessary for efficient and successful operation of the generating station, but not included in the original project cost- 18(2) (iv)	0	5.84	5.84
Replacements	(-) 39.22	0	(-) 39.22
Additional capitalization	926.85	47.16	974.01
Less:			
(a) Undischarged liability	164.90	1.04	165.94
(b) Value of unserviceable assets	24.29	0.00	24.29
Additional capitalization allowed	737.66	46.12	783.78

33. The petitioner vide affidavit dated.12.10.2007 has furnished detailed list of assets and their gross values which form part of the gross block as on 31.3.2004 for the purpose of tariff and has subsequently decapitalised the assets during the period 2004-06 along with the date on which these assets were put to use, date on which they were taken out of service and depreciation recovered through tariff in respect of these assets up to 31.3.2004. In the additional capital expenditure considered above for the period 2004-06, we have allowed decapitalisation of certain assets, which were not in use. Further, the gross value of these assets has been taken out of admitted capital cost as a result of which the admitted capital cost of the generating station has been reduced.

CAPITAL COST

34. As already noted, the Commission had admitted the capital cost of Rs.202704.41 lakh as on 1.4.2004, (including FERV of Rs.1207.27 lakh) and considered as the opening gross block as on 1.4.2004 for determining tariff for the period 2004-09.

35. 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, approved by para 32 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	202704.41	203442.07	203488.19	203488.19	203488.19
Additional capital expenditure	737.66	46.12	-	-	-
Closing capital cost	203442.07	203488.19	203488.19	203488.19	203488.19
Average Capital cost	203073.24	203465.13	203488.19	203488.19	203488.19

Debt-Equity ratio

36. The petitioner in its affidavit dated 11.10.2007 has stated that the additional capital expenditure has been financed from its internal accruals/resources. Further, since 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	221.30	13.84

Return on Equity

37. Return on equity is allowed @ 14% on the average normative equity, as follows:

(Rs in lakh)					
	2004-05	2005-06	2006-07	2007-08	2008-09
Equity opening	101352	101574	101587	101587	101587
Equity due to Additional capitalization	221	14	0	0	
Equity closing	101574	101587	101587	101587	101587
Average equity	101463	101580	101587	101587	101587
Return on equity @ 14%	14205	14221	14222	14222	14222

Interest on loan

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

- (a) The normative loan outstanding as on 1.4.2004 is Rs.7862 lakh and the notional loan arising on account of additional capital expenditure for the year 2004-05 is Rs.516.36 lakh. Hence, the total outstanding notional loan as on 1.4.2004 is Rs.8378 lakh.
- (b) Where normative repayment of loan is less than the depreciation of the same year, repayment has been considered to the extent of depreciation as considered in the order dated 23.11.2006, subject to the final decision of the Hon'ble Supreme Court in Civil Appeal No. 5434/2007 and other related appeals preferred by the Commission.
- (c) The weighted average rate of interest as considered in order dated 23.11.2006 has been considered.

39. Interest on loan has been computed as under:

(Rs in lakh)

Details	Up to 31.3.2004	2004-05	2005-06	2006-07	2007-08	2008-09
Gross Loan Opening	101352	101869	101901	101901	101901	101901
Cumulative repayment of deemed loan upto previous year	93491	93491	100966	101901	101901	101901
Net loan opening	7862	8378	934	0	0	0
Repayment of loan during the year		7476	934	0	0	0
Net loan Closing		902	0	0	0	0
Average Loan		4640	467	0	0	0
Wt.Average Rate of Interest		13.6180%	13.4105%	13.0959%	12.4823%	10.5388%
Interest on Loan		632	63	0	0	0

Depreciation

40. The petitioner has calculated the weighted average rate of depreciation as 3.68% in terms of order dated 23.11.2006 and the same has been considered for computation of tariff on account of additional capital expenditure for the year 2004-05 and 2005-06 as the notional loan amount is still outstanding. However, the notional loan arising on account of additional capital expenditure also gets repaid by 2005-06 and the remaining depreciation recoverable has been spread over the balance useful life of 15.55 years of the generating station from 2006-07 onwards. 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 petitioner has furnished the depreciation recovered based on the books of accounts and has limited it to 90% of the total value of the assets. The necessary calculations are as under:

(Rs in lakh)

		2004-05	2005-06	2006-07	2007-08	2008-09
Opening capital cost		202704	203442	203488	203488	203488
Closing capital cost		203442	203488	203488	203488	203488
Average capital cost		203073	203465	203488	203488	203488
Depreciable value @ 90%	179987	180319	180672	180693	180693	180693
Balance depreciable value	84039	84371	77274	69804	65315	60826
Balance useful life	17.55	17.55	16.55	15.55	14.55	13.55
Depreciation		7476	7490	4489	4489	4489
Cumulative depreciation	95948	103424	110888	115377	119866	124355

Advance Against Depreciation

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

O&M expenses

42. O&M expenses as considered in the order dated 23.11.2006 in Petition No.120/2005 have been considered.

Interest on Working capital

43. For the purpose of calculation of working capital, the operating parameters including the price of fuel components considered in the original order dated 23.11.2006 has been kept unaltered. 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 -1.1/2 months	7059	7059	7059	7079	7059
Oil Stock – 2 months	275	275	275	275	275
O & M expenses	728	757	788	819	852
Maintenance spares	2871	3043	3226	3419	3624
Receivables	15310	15282	14828	14923	14967
Total Working Capital	26243	26417	26175	26516	26777
Rate of Interest	10.25%	10.25%	10.25%	10.25%	10.25%
Interest on Working Capital	2690	2708	2683	2718	2745

44. The revised annual fixed charges on the basis of the above in respect of the generating station for the period from 1.4.2004 to 31.3.2009 are summarized as under:

(Rs. in lakh)

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
Interest on Loan	632	63	0.00	0.00	0.00
Interest on Working Capital	2690	2708	2683	2718	2745
Depreciation	7476	7490	4489	4489	4489
Advance Against Depreciation	0.00	0.00	0.00	0.00	0.00
Return on Equity	14205	14221	14222	14222	14222
O & M Expenses	8736	9089	9450	9828	10223
TOTAL	33739	33571	30844	31257	31679

45. The target availability of 80% considered by the Commission in the order dated 23.11.2006 remains unaltered. Similarly, other parameters viz., specific fuel consumption, Auxiliary Power consumption and Station Heat rate etc considered in

the order dated 23.11.2006 have been retained for the purpose of calculation of the revised fixed charges.

46. The petitioner's prayer in clause (iii) of the petition, and extracted in para 1 of this order needs to be considered separately. As we have noted above, clause (4) of Regulation 18 of the 2004 regulations provides that impact of additional capitalization in revision of tariff is to be considered twice in the tariff period 2004-09, including revision of tariff after the cut-off date. The petitioner has submitted that the amount of additional capital expenditure incurred during the year 2008-09 can be ascertained after finalization of the accounts for that year and this is possible after close of the year. Therefore, the petitioner has prayed that it should be permitted to seek revision of tariff on account of the capital expenditure incurred for the year 2008-09 after close of the tariff period. In our opinion, the difficulty expressed by the petitioner can be overcome through special audit of the additional capital expenditure incurred for the generating station before close of the year. The petitioner may, in that case, make an application for revision of tariff before 31.3.2009. This will be in accordance with the 2004 regulations, which contemplate revision of tariff twice during the tariff period. The provision avoids retrospective revision of tariff, that is, after expiry of the tariff period. However, if for reasons of non-finalization of accounts for the year 2008-09, it is not possible for the petitioner to make an application for revision of tariff as per 2004 regulations, the petitioner may approach the Commission for such revision for this reason, after finalization of accounts for the year 2008-09 including additional capitalization for earlier years of 2004-09 period, not claimed so far, latest by 30.9.2009. In the event of the petitioner having availed revision of tariff twice in terms of the 2004 regulations for the period up to 31.3.2008 approaches the Commission for further revision after 31.3.2009, based on the capital expenditure incurred up to

31.3.2009, the same is to be considered in accordance with the regulations applicable at the relevant time. The stipulations in this para would be applicable to other stations also.

47. The reimbursement of the filing fee is not being allowed in view of the Commission's general order dated 11.9.2008 in Petition No.129/2005.

48. The petitioner shall claim the difference between the fixed charges approved vide order dated 25.11.2006 and those approved now, from the beneficiaries in three equal monthly installments.

49. Petition No.27/2007 stands disposed of in terms of the above.

Sd/-
(R. KRISHNAMOORTHY)
MEMBER

Sd/-
(BHANU BHUSHAN)
MEMBER

New Delhi dated the 29th September, 2008