

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Petition No. 473/GT/2014

Coram:

Shri Gireesh B. Pradhan, Chairperson

Shri A.K. Singhal, Member

Shri A.S. Bakshi, Member

Dr. M.K Iyer, Member

Date of order: 10th February, 2017

In the matter of

Revision of tariff of NLC Thermal Power Station II Stage-I (630 MW) and Stage-II (840 MW) on account of additional capital expenditure incurred for the period from 1.4.2009 to 31.3.2014- Truing- up of annual fixed charges determined by Order dated 27.6.2011 in Petition No. 231/2009 and Order dated 25.6.2013 in Petition No. 17/RP/2011.

And

In the matter of

Neyveli Lignite Corporation Limited
Neyveli House, 135, EVR Periyar Road,
Kilpauk, Chennai – 600010

.....Petitioner

Vs

1. Tamil Nadu Generation and Distribution Company Ltd
800, Anna Salai, Chennai – 600002
2. Power Company of Karnataka Ltd.
KPTCL Building, Kaveri Bhavan,
K.G.Road, Bangalore – 560009
3. Bangalore Electricity Supply Co. Ltd.
KR Circle, Bangalore – 560001
4. Mangalore Electricity Supply Co. Ltd.
Paradigm Plaza, AB Shetty Circle, Mangalore-575001
5. Gulbarga Electricity Supply Co. Ltd.
Station Main Road, Gulbarga-585102
6. Hubli Electricity Supply Co. Ltd.
Corporate Office, Navanagar,
PB Road Hubli-580025
7. Chamundeshwari Electricity Supply Corporation Ltd.
Corporate Office, No.927, LJ Avenue,
New KantarajaUrs Road, Saraswathipuram, Mysore-570009



8. Kerala State Electricity Board Ltd.
VaidyuthiBavanam, Pattom
Thiruvananthapuram-695004

9. Puducherry Electricity Department
137, NSC Bose Salai,
Puducherry – 605001

10. Transmission Corporation of Andhra Pradesh
Vidyut Soudha, Khairatabad
Hyderabad- 500082

11. Transmission Corporation of Telangana
Vidyut Soudha, Khairatabad
Hyderabad- 500082

.....Respondents

Parties present:

Ms. Anushree Bardhan, Advocate, NLC
Ms. Poorva Saigal, Advocate, NLC
Shri. J Dhanasekaran, NLC
Shri S Vallinayagam, Advocate, TANGEDCO
Shri. R.Jayaprakash, TANGEDCO

ORDER

This petition has been filed by the Petitioner, Neyveli Lignite Corporation for revision of annual fixed charges and energy charges for the period 2009-14 in respect of NLC TPS-II, Stage-I (630 MW) and Stage-II (840 MW) (hereinafter referred to as “the generating station”) after truing- up exercise based on the Regulation 6 of the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2009 (hereinafter “the 2009 Tariff Regulations”) for the period from 1.4.2009 to 31.3.2014.

2. The generating station with a total capacity of 1470 MW comprises of three units of 210 MW each under Stage-I and four units of 210 MW each under Stage-II. The dates of commercial operation of the units of the generating station of Stage-I and Stage-II are as under:

Stage-I		Stage-II	
Unit-I	29.9.1986	Unit-I	25.1.1992
Unit-II	8.5.1987	Unit-II	2.6.1992
Unit-III	23.4.1988	Unit-III	17.3.1993
		Unit-IV	9.4.1994



3. The Commission vide order dated 27.6.2011 in Petition No. 231/2009 had determined the tariff of the generating station for the period 1.4.2009 to 31.3.2014. Aggrieved by the said order, the petitioner had filed Petition No. 17/RP/2011 for review of order on certain issues. The Commission disposed of the said review petition vide order dated 25.6.2013 and accordingly revised the annual fixed charges of the generating station by the said order for the period 2007-09 and 2009-14 as under:

2007-09

Stage-I

(₹ in lakh)

	2007-08	2008-09
Interest on Loan	0	0
Interest on Working Capital	1775	1789
Depreciation	1111	1236
Advance against Depreciation	0	0
Return on Equity	1813	1748
O&M Expenses	7371	7667
Total Annual Fixed Charges	12070	12440

Stage-II

(₹ in lakh)

	2007-08	2008-09
Interest on Loan	0	0
Interest on Working Capital	2467	2490
Depreciation	1268	1342
Advance against Depreciation	0	0
Return on Equity	3746	3691
O&M Expenses	9828	10223
Total Annual Fixed Charges	17309	17745

2009-14

Stage-I

(₹ in lakh)

	2009-10	2010-11	2011-12	2012-13	2013-14
Return on Equity	2835.96	2627.81	2314.86	1902.78	1677.09
Interest on Loan	0.00	0.00	0.00	0.00	0.00
Depreciation	1430.30	1617.63	1776.57	1808.32	113.95
Interest on Working Capital	2575.14	2611.58	2652.39	2703.93	2733.49
O&M Expenses	11466.00	12121.20	12814.20	13551.30	14326.20
Cost of Secondary Fuel oil	1514.91	1514.91	1519.06	1514.91	1514.91
Separate Compensation Allowance	409.50	409.50	409.50	273.00	136.50
Special Allowance in lieu of R&M	0.00	0.00	0.00	1240.68	2623.30
Total	20231.81	20902.63	21486.58	22994.93	23125.44



Stage-II

(₹ in lakh)

	2009-10	2010-11	2011-12	2012-13	2013-14
Return on Equity	6055.98	5758.03	5447.05	5102.65	4758.26
Interest on Loan	0.00	0.00	0.00	0.00	0.00
Depreciation	1434.21	1451.56	1466.67	1466.67	1466.67
Interest on Working Capital	3464.95	3509.14	3561.66	3604.41	3658.00
O&M Expenses	15288.00	16161.60	17085.60	18068.40	19101.60
Cost of secondary fuel oil	2019.88	2019.88	2025.41	2019.88	2019.88
Separate compensation allowance	252.00	294.00	294.00	357.00	483.00
Total	28515.02	29194.21	29880.39	30619.01	31487.41

4. The petitioner in this petition has claimed the opening capital cost of ₹ 61735.60 lakh and ₹ 121264.01 lakh for Stage-I and Stage-II respectively as on 1.4.2009 based on the order dated 25.6.2013 in the Review Petition No. 17/RP/2011 in Petition No. 231/2009. The Commission vide order dated 27.6.2011 in Petition No. 231/2009 had admitted the opening capital cost of ₹61702.96 lakh for Stage-I and ₹121239.50 lakh for Stage-II as on 1.4.2009 for the purpose of determination of tariff for 2009-14. Consequent upon the revision of capital cost in respect of Stage-I and Stage-II, vide order dated 25.6.2013 in the Petition No. 17/RP/2011, the capital cost for the period 2009-14 was revised as under:

(₹ in lakh)

Stage-I	2009-10	2010-11	2011-12	2012-13	2013-14
Opening capital cost	61735.60	62357.03	63010.69	63085.69	63085.69
Additional capital expenditure allowed	621.43	653.66	75.00	0.00	0.00
Closing capital cost	62357.03	63010.69	63085.69	63085.69	63085.69

(₹ in lakh)

Stage-II	2009-10	2010-11	2011-12	2012-13	2013-14
Opening capital cost	121264.01	121342.58	121612.01	121612.01	121612.01
Additional capital expenditure allowed	78.57	269.43	0.00	0.00	0.00
Closing capital cost	121342.58	121612.01	121612.01	121612.01	121612.01

5. Accordingly, the admitted opening capital cost of ₹61735.60 lakh for Stage-I and ₹121264.01 lakh for Stage-II as on 1.4.2009 as approved by the Commission in order dated 25.6.2013 in Petition No. 17/RP/2011 has been considered for revision of tariff based on true-up of the tariff for the period 2009-14.



6. The petitioner, in compliance of the directions of the Commission has filed the additional information with copy to the respondents. The respondents, TANGEDCO and KSEB have filed their replies in the matter and the petitioner has filed its rejoinder to the same. Based on the submissions of the parties and the documents available on record, we proceed to consider the claims of the petitioner for revision of tariff of the generating station for the period 2009-14, on prudence check, as stated in the subsequent paragraphs.

Additional Capital Expenditure

7. Regulation 9 (2) of the 2009 Tariff Regulations provides as under:

“9.(2) The capital expenditure incurred or projected to be incurred on the following counts after the cut-off date may, in its discretion, 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;*
- (ii) Change in law;*
- (iii) Deferred works relating to ash pond or ash handling system in the original scope of work;*
- (iv) 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) including due to geological reasons after adjusting for proceeds from any insurance scheme, and expenditure incurred due to any additional work which has become necessary for successful and efficient plant operation; and*
- (v) 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 of switchyard equipment due to increase of fault level, emergency restoration system, insulators cleaning infrastructure, replacement of damaged equipment not covered by insurance and any other expenditure which has become necessary for successful and efficient operation of transmission system: Provided that in respect sub-clauses (iv) and (v) above, any expenditure on acquiring the minor items or the assets like tools and tackles, furniture, air-conditioners, voltage stabilizers, refrigerators, coolers, 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. 1.4.2009.*
- (vi) In case of gas/liquid fuel based open/ combined cycle thermal generating stations, any expenditure which has become necessary on renovation of gas turbines after 15 year of operation from its COD and the expenditure necessary due to obsolescence or non-availability of spares for successful and efficient operation of the stations. Provided that any expenditure included in the R&M on consumables and cost of components and spares which is generally covered in the O&M expenses during the major overhaul of gas turbine shall be suitably deducted after due prudence from the R&M expenditure to be allowed.*



- (vii) Any capital expenditure found justified after prudence check necessitated on account of modifications required or done in fuel receipt system arising due to non-materialisation of full coal linkage in respect of thermal generating station as result of circumstances not within the control of the generating station.
- (viii) Any un-discharged liability towards final payment/withheld payment due to contractual exigencies for works executed within the cut-off date, after prudence check of the details of such deferred liability, total estimated cost of package, reason for such withholding of payment and release of such payments etc.
- (ix) Expenditure on account of creation of infrastructure for supply of reliable power to rural households within a radius of five kilometers of the power station if, the generating company does not intend to meet such expenditure as part of its Corporate Social Responsibility.”

8. The additional capital expenditure for Stage-I and Stage-II allowed by the Commission vide order dated 27.6.2011 in Petition No. 231/2009 is as under:

(₹ in lakh)

STAGE-I					
	2009-10	2010-11	2011-12	2012-13	2013-14
Direct Assets	621.43	653.66	75.00	0.00	0.00

(₹ in lakh)

STAGE-II					
	2009-10	2010-11	2011-12	2012-13	2013-14
Direct Assets	78.57	269.43	0.00	0.00	0.00

9. The year wise actual capital expenditure for Stage-I and Stage-II for the period 1.4.2009 to 31.3.2014 claimed by the petitioner is as under:

(₹ in lakh)

STAGE-I					
	2009-10	2010-11	2011-12	2012-13	2013-14
Direct Asset Addition	2891.14	1.64	595.74	676.83	1514.05
Common Asset Addition	0.00	0.00	0.00	0.00	0.00
Total Additional capital expenditure	2891.14	1.64	595.74	676.83	1514.05

(₹ in lakh)

STAGE-II					
	2009-10	2010-11	2011-12	2012-13	2013-14
Direct Asset Addition	7.03	2.19	792.51	262.51	47.97
Common Asset Addition	0.00	0.00	0.00	0.00	0.00
Total Additional capital expenditure	7.03	2.19	792.51	262.51	47.97



10. The petitioner vide affidavit dated 3.3.2016 has submitted the break- up of the actual additional capital expenditure for the period 2009-14 in respect of Stage-I and Stage-II of the generating station. Based on the submissions of the parties and the documents available on record, we now examine the claim of the petitioner in respect of Stage-I and II as under:

Stage-I

Sl.No	Asset Description	Regulations	(₹ in lakh)				
			2009-10	2010-11	2011-12	2012-13	2013-14
1	Stack Monitoring Kit 1 No.	9(2)(ii)	0.47	0.00	0.00	0.00	0.00
2	DCS Stage-I Unit-I	9(2)(iv)	609.43	0.00	0.00	0.00	0.00
3	Distributed Control System, Stage-I, Unit-2	9(2)(iv)	655.34	0.00	0.00	0.00	0.00
4	Distributed Control System, Stage-I, Unit-3	9(2)(iv)	629.58	0.00	0.00	0.00	0.00
5	250 MVA Generator Transformer 1 No.	9(2)(iv)	991.52	0.00	0.00	0.00	0.00
6	Effluent Treatment Plant 75 Kld Indl. Canteen TS-II	9(2)(ii)	4.80	0.00	0.00	0.00	0.00
7	Bsnl Hot Line Conective	9(2)(iv)	0.00	1.64	0.00	0.00	0.00
8	Civil Work- Ash Weigh Bridge, Cabin, Compound Wall Etc	9(2)(iii)	0.00	0.00	12.89	0.00	0.00
9	Providing RCC Approach Road To Ash Weigh Bridge	9(2)(iii)	0.00	0.00	34.08	0.00	0.00
10	63MVAR, 420, 3phase-Bus	9(2)(iv)	0.00	0.00	253.53	0.00	0.00
11	63MVAR, 420kv, 3 Phase R	9(2)(iv)	0.00	0.00	253.53	0.00	0.00
12	So2/Nox Gas Monitoring	9(2)(ii)	0.00	0.00	11.44	0.00	0.00
13	So2/Nox Gas Monitoring	9(2)(ii)	0.00	0.00	11.44	0.00	0.00
14	So2/Nox Gas Monitoring	9(2)(ii)	0.00	0.00	11.44	0.00	0.00
15	60 Ton Capacity Electronic Comp. Whigh Bridge-1no.	9(2)(iii)	0.00	0.00	7.39	0.00	0.00
16	E Pond -TPS-II	9(2)(iii)	0.00	0.00	0.00	519.49	0.00
17	Elgi-Hitachi/Screw Type Compressor 250kw-1 No.	9(2)(iii)	0.00	0.00	0.00	38.07	0.00
18	Elgi Hitachi/Screw Type Compressor 250kw-1 No.	9(2)(iii)	0.00	0.00	0.00	38.07	0.00
19	Elgi Hitachi/Screw Type Compressor-1 No.	9(2)(iii)	0.00	0.00	0.00	38.07	0.00
20	Elgi Hitachi/Screw Type Compressor 132kw- 1 No.	9(2)(iii)	0.00	0.00	0.00	23.97	0.00
21	Level Sensor In ESP	9(2)(iii)	0.00	0.00	0.00	7.98	0.00
22	Level Sensor In ESP	9(2)(iii)	0.00	0.00	0.00	7.98	0.00
23	Outdoor Display Board	9(2)(ii)	0.00	0.00	0.00	3.20	0.00



24	Dense Phase Pneu. Fly	9(2)(iii)	0.00	0.00	0.00	0.00	504.68
25	Dense Phase Pneu. Fly	9(2)(iii)	0.00	0.00	0.00	0.00	504.68
26	Dense Phase Pneu. Fly	9(2)(iii)	0.00	0.00	0.00	0.00	504.68
	Total		2891.14	1.64	595.74	676.83	1514.05

Stage-II

(₹ in lakh)

Sl.No	Asset Description	Regulations	2009-10	2010-11	2011-12	2012-13	2013-14
1	Stack Monitoring Kit 1 No	9(2)(ii)	0.63	0.00	0.00	0.00	0.00
2	Effluent Treatment Plant 75 Kld Indl. Canteen TS-II	9(2)(ii)	6.40	0.00	0.00	0.00	0.00
3	Bsnl Hot Line Conective	9(2)(iv)	0.00	2.19	0.00	0.00	0.00
4	Civil Work-Ash Weigh Bridge, Cabin, Compound Wall Etc	9(2)(iii)	0.00	0.00	17.18	0.00	0.00
5	Providing RCC Approach Road To Ash Weigh Bridge	9(2)(iii)	0.00	0.00	45.45	0.00	0.00
6	63mvar, 420, 3phase-Bus	9(2)(iv)	0.00	0.00	338.04	0.00	0.00
7	63mvar, 420kv, 3 Phase R	9(2)(iv)	0.00	0.00	338.04	0.00	0.00
8	Governor Mode Of Opera	9(2)(iv)	0.00	0.00	19.30	0.00	0.00
9	So2/Nox Gas Monitoring	9(2)(ii)	0.00	0.00	11.44	0.00	0.00
10	So2/Nox Gas Monitoring	9(2)(ii)	0.00	0.00	11.44	0.00	0.00
11	Reciprocating Air Compressor-Stage-II- 3 Nos.	9(2)(ii)	0.00	0.00	1.77	0.00	0.00
12	60 Ton Capacity Electronic Comp. Whigh Bridge-1no.	9(2)(iii)	0.00	0.00	9.86	0.00	0.00
13	Governor Mode Of Oper.	9(2)(iv)	0.00	0.00	0.00	19.35	0.00
14	Governor Mode Of Oper.	9(2)(iv)	0.00	0.00	0.00	19.35	0.00
15	Governer Mode Of Oper	9(2)(iv)	0.00	0.00	0.00	19.35	0.00
16	Elgi-Hitachi/Screw Type Compressor 250kw-1 No.	9(2)(iii)	0.00	0.00	0.00	50.76	0.00
17	Elgi Hitachi/Screw Type Compressor 250kw-1 No.	9(2)(iii)	0.00	0.00	0.00	50.76	0.00
18	Elgi Hitachi/Screw Type Compressor-1 No.	9(2)(iii)	0.00	0.00	0.00	50.76	0.00
19	Elgi Hitachi/Screw Type Compressor 132kw- 1 No.	9(2)(iii)	0.00	0.00	0.00	31.96	0.00
20	Level Sensor In ESP	9(2)(iii)	0.00	0.00	0.00	7.98	0.00
21	Level Sensor In ESP	9(2)(iii)	0.00	0.00	0.00	7.98	0.00
22	Outdoor Display Board	9(2)(ii)	0.00	0.00	0.00	4.27	0.00
23	Compressor Room For Air System-DPFAHS At Unit-7.	9(2)(iii)	0.00	0.00	0.00	0.00	47.97
	Total		7.03	2.19	792.51	262.52	47.97



Change in law- Regulation 9 (2) (ii)

11. The petitioner has claimed total additional capital expenditure of ₹42.79 lakh for Stage-I and ₹35.95 lakh for Stage-II of the generating station under this head. The expenditure claimed includes ₹0.47 lakh for Stack monitoring kit and ₹4.80 lakh for Effluent Treatment Plant in 2009-10, ₹34.32 lakh for SO₂/NO_x gas monitoring in 2011-12 , ₹3.20 lakh for Outdoor display board in 2012-13 for Stage-I and ₹0.63 lakh for Stack monitoring and ₹ 6.40 lakh for Effluent Treatment Plant in 2009-10, ₹24.65 lakh for SO₂/ NO_x gas monitoring & 3 nos. of reciprocating Air compressor in 2011-12 and ₹4.27 lakh for Outdoor display board in 2012-13 for Stage-II. In respect of assets such as stack monitoring kit, effluent treatment plant, SO₂/ NO_x, outdoor display board, the petitioner has submitted that the expenditure incurred towards these assets are towards statutory compliance in terms of the directions/orders of the State and Central Pollution Control Board.

12. The respondent, KSEBL has submitted that the additional capital claimed by the petitioner for Effluent Treatment Plant is not covered under Regulation 9 and that the same may be claimed under O & M expenses allowed under Regulation 19 of the 2009 Tariff Regulations. The respondent, TANGEDCO has submitted that the petitioner had made similar claim in respect of Stack monitoring kit in Petition No. 231/2009 and the same was rejected by the Commission vide order dated 27.6.2011. The claim of the petitioner regarding effluent treatment plant and SO₂/ NO_x gas monitoring ought to be negated as the said claims had been allowed vide order dated 27.6.2011 and the escalation in the claim regarding the same is without any justification by the petitioner. Further, it has been submitted that the expenditure regarding reciprocating air compressor and outdoor display board are minor in nature and can be met from the Compensation allowance and therefore, the claim may be rejected.

13. We have examined the matter. It is noticed that the Commission in order dated 27.6.2011 in Petition No. 231/2009 had disallowed the claim of the petitioner in respect of assets such as Stack monitoring kit and Outdoor display board on the ground that these



assets are in the nature of tools and tackles. In view of this, the expenditure claimed towards Stack monitoring kit in 2009-10 and Outdoor display board in 2012-13 for Stages- I and II are not allowed. However, considering the fact that the expenditure incurred towards Effluent Treatment Plant and SO₂/ NO_x is statutory in nature and is in compliance with the directions of Pollution Control Board, the expenditure of ₹39.12 lakh for Stage-I and ₹29.28 lakh for Stage-II is allowed.

14. The petitioner has claimed additional capital expenditure of ₹1.77 lakh towards purchase of 3 nos. of reciprocating air compressor in 2011-12 for Stage- II of the generating station. In justification of the same, the petitioner has submitted that the procurement of this asset was made as per requirement of the Fire protection maintenance department of the Petitioner's company. The submissions of the petitioner for capitalization of this expenditure is not acceptable since the requirement of this asset by the Fire protection maintenance department cannot be construed as change in law. Moreover, all the units of Stage-I and Stage-II of the generating station have completed more than 10 years of commercial operation. Accordingly, the petitioner can meet these expenses from the compensation allowance admissible to the generating station. In view of this, the claim of the petitioner for ₹1.77 lakh in 2011-12 for Stage-II is not allowed.

Deferred works related to ash pond and ash handling system- Regulation 9 (2) (iii)

15. The petitioner has claimed additional capital expenditure of ₹54.36 lakh in 2011-12, ₹673.63 lakh in 2012-13 and ₹1514.04 lakh in 2013-14 for Stage-I of the generating station and ₹72.49 lakh in 2011-12, ₹200.20 lakh in 2012-13 and ₹47.97 lakh in 2013-14 for Stage-II of the generating station under Regulation 9(2)(iii) of the 2009 Tariff Regulations. The claim of actual expenditure of the petitioner for the period 2009-14 for Stage-I and II of the generating station under the Regulation 9(2)(iii) of the 2009 Tariff Regulations is tabulated as under:

SL.No.	Description for Stage-I	Description for Stage-II
1	Civil Work-Ash Weigh Bridge, Cabin, Compound Wall Etc	Civil Work-Ash Weigh Bridge, Cabin, Compound Wall Etc
2	Providing Rcc Approach Road To Ash Weigh Bridge	Providing Rcc Approach Road To Ash Weigh Bridge



3	60 Ton Capacity Electronic Comp. Weigh Bridge-1no.	60 Ton Capacity Electronic Comp. Weigh Bridge-1no.
4	E Pond -TPS-II	Elgi-Hitachi/Screw Type Compressor 250kw-1 No.
5	Elgi-Hitachi/Screw Type Compressor 250kw-1 No.	Elgi Hitachi/Screw Type Compressor 250kw-1 No.
6	Elgi Hitachi/Screw Type Compressor 250kw-1 No.	Elgi Hitachi/Screw Type Compressor-1 No.
7	Elgi Hitachi/Screw Type Compressor-1 No.	Elgi Hitachi/Screw Type Compressor 132kw- 1 No.
8	Elgi Hitachi/Screw Type Compressor 132kw- 1 No.	Level Sensor In Esp Hopper
9	Level Sensor In Esp Hopper	Level Sensor In Esp Hopper
10	Level Sensor In Esp Hopper	Compressor Room For Air System- DPFAS At Unit-7.
11	Dense Phase Pneumatic Fly Ash system	
12	Dense Phase Pneumatic Fly Ash system	
13	Dense Phase Pneumatic Fly Ash system	

Civil work- Ash Weigh Bridge, Cabin, Compound Wall, etc

16. The petitioner has claimed expenditure of ₹12.89 lakh and ₹17.18 lakh for Stage- I and II respectively for the period 2011-12 for the Civil work- Ash weigh bridge, cabin, compound wall, etc under this head.

17. The respondent, KSEBL has submitted that the petitioner has claimed the said expenditure under Regulation 9 of the 2009 Tariff Regulations which stipulates claims with respect to only deferred works relating to ash pond or ash handling system with in the original scope of work. It has submitted that since the said work of the petitioner do not fall within the original scope of work, the claim of the petitioner may be disallowed.

18. The matter has been examined. Regulation 9(2) (iii) of the 2009 Tariff regulations provides for capitalization in respect of deferred work relating to ash pond or ash handling system within the original scope of work. It is noticed that the petitioner has not furnished any justification for the capitalization of the expenditure for these assets. Further, the units of Stage- I have completed 25 years of useful life in 2012-13 and shall be eligible for Special allowance and the petitioner has claimed the said allowance. Considering the fact that the useful life of Stage-I is complete, no deferred works remain within the original scope of work. Accordingly, the claim of the petitioner for capitalization of expenditure of ₹12.89 lakh for ash



weigh bridge for Stage-I has not been allowed. However, as Stage-II will complete useful life in the year 2017-18, the capitalization of expenditure of ₹17.18 lakh for Stage-II is allowed.

RCC Approach Road to Ash Weigh Bridge

19. The petitioner has claimed additional capital expenditure of ₹ 34.08 lakh for Stage-I and ₹45.45 lakh for Stage-II towards RCC approach road to Ash weigh bridge in 2011-12 under this head. In justification of the same, the petitioner has submitted that the expenditure incurred is to reroute the traffic through other gate to ease out the movement of ash trucks through the main gate and to avert accidents. It has further submitted that the new weigh bridge has been located for weighing of ash trucks and the new gate has been constructed for the movement of ash trucks and lignite lorries.

20. The respondent, KSEBL has submitted that the petitioner has claimed the said expenditure under Regulation 9 of the 2009 Tariff Regulations which stipulates claims with respect to only deferred works relating to ash pond or ash handling system within the original scope of work. It has also submitted that since the said work of the petitioner do not fall within the original scope of work, the claim of the petitioner may be disallowed. The respondent, TANGEDCO has submitted that the prayer of the petitioner may be disallowed as the said expenditure are of a common nature and can be reimbursed from the O&M expenses.

21. We have examined the matter. It is observed that units of Stage- I of the generating station has completed 25 years of useful life in 2012-13 and is eligible for Special allowance and the petitioner has claimed the said allowance. Considering the fact that useful life of Stage-I is complete, no deferred works remain within the original scope of work. Accordingly, the claim of the petitioner for capitalization of ₹34.08 lakh for Stage-I is not allowed. However, the claim for capitalization of ₹45.45 lakh for Stage-II which will complete useful life in the year 2017-18 has been allowed.



60 Ton Capacity Electronic Comp. Weigh Bridge- 1No.

22. The petitioner has claimed additional capital expenditure of ₹7.39 lakh for Stage-I and ₹9.86 lakh for Stage-II towards 60 Ton capacity Electronic weigh Bridge exclusively for weighing the fly ash for the year 2011-12 under this head. In justification of the same, the petitioner has submitted that based on the recommendations of a Committee in its reports, these assets have been procured.

23. The matter has been examined. It is not clear from the submissions of the petitioner whether the procurement of 60 ton electronic weigh bridge for weighing the fly ash is the deferred works falling under the original scope or work of the project. Accordingly, we are not inclined to allow the expenditure claimed. Since the generating station is granted Compensation allowance, the petitioner can meet such expenses from the Compensation allowance in terms of regulation 19 © of the 2009 Tariff Regulations.

E-Pond

24. The petitioner has claimed additional capital expenditure of ₹519.49 lakh in 2012-13 towards E- pond of TPS-I for Stage-I. In justification of the same, the petitioner has submitted that E pond of TPS-I was constructed during the year 2002 and it has been serving the needs of all the three units namely, TPS-I, II and TPS-I (Expansion), with respect to ash disposal through wet system. It has further submitted that the original capacity of E pond was 55LM³, whereas the balance capacity at present is only 1 LM³. Therefore, the petitioner has submitted that it has proposed the augmentation of the E- pond of TPS-I capacity by 10 lakh cum which will enhance the life of the pond by 5-6 years. Accordingly, it has prayed that the capitalization of the said expenditure may be allowed.

25. The respondent, KSEBL has submitted that the said works are not covered under the original scope of work, and therefore, the claim of the petitioner may be disallowed. The respondent, TANGEDCO has submitted that the petitioner has not furnished the details of estimate or approvals regarding the proposal to augment the capacity of E-pond of TPS-I. It has further submitted that the petitioner has not furnished the Cost Benefit analysis or any



notification issued by the Ministry of Environment and Forests, GOI in this regard.. Accordingly, it has prayed that the claim of the petitioner may be disallowed under this head in the absence of any supportive documents.

26. The matter has been examined. It is noticed that the augmentation of E-pond is necessary for the continuous running of the generating station. Since Units- I and II of Stage-I of the generating station have already completed useful life of 25 years as on 29.9.2011 and 8.5.2002 respectively, the Commission in order dated 27.6.2011 had allowed the Special allowance of ₹ 1240.68 lakh in 2012-13 and ₹ 2623.30 lakh in 2013-14 in accordance with the Regulation 10 of the 2009 Tariff Regulations. Accordingly, we are not inclined to allow the claim for additional capital expenditure and the petitioner shall meet the expenses from the Special allowance granted to the generating station.

Elgi-Hitachi/ screw type compressor

27. The petitioner has claimed additional capital expenditure of ₹138.18 lakh for Stage-I and ₹184.24 lakh for Stage-II in 2012-13 towards Elgi/Hitachi screw type compressor, four for each stage under this head. In justification of the same, the petitioner has submitted that on account of some reasons the work of Dense phase Pneumatic fly ash handling system could not be completed by M/s McNally Bharat engg. Company. It has further submitted that pursuant to this, a Committee was formed in order to study the status of the system and recommendations for completion of the project. It has also submitted that the said Committee had recommended the procurement of NH-190-5 Elgi compressor and NH-105-7 Elgi compressor for each stage for augmentation of the availability of compressed air to the system. The petitioner has stated that based on this recommendations, the procurement of compressor got approval by the empowering committee of Directors in 2010 and accordingly, the same were procured and placed in the new compressor house. The petitioner has therefore prayed that the claim under this head may be allowed.

28. The respondent, KSEBL has submitted that the claim of the petitioner under this head may be disallowed as the reasons for non- completion of the project is attributable to the petitioner and the beneficiaries cannot be made liable for the same. The respondent,



TANGEDCO has submitted that the said claim falls under the category of minor assets and can be met out from the Compensation allowance granted to the generating station. Accordingly, the claim of the petitioner may be disallowed.

29. We have examined the matter. The provision of Regulation 9 (2) (iii) of the 2009 Tariff Regulations do not provide for capitalization of such expenditure in respect of these assets. Since the generating station is eligible for separate Compensation allowance to meet the expenses on new assets, including assets of minor nature, the Commission by order dated 27.6.2011 in Petition No. 231/2009 had granted Compensation allowance for the generating station. Hence, we are not inclined to allow the additional capitalization claimed by the petitioner. However, the petitioner shall meet the expenditure claimed from the Compensation allowance granted to the generating station as above. Accordingly, the prayer of the petitioner is disallowed.

Level sensor in ESP hopper

30. The petitioner has claimed additional capital expenditure of ₹15.96 lakh for Stages- I and II each in the year 2012-13 towards level sensor in ESP hopper under this head. In justification of the same, the petitioner has submitted that hopper level indicator is essential for the generating station to avoid fire accidents as the ash level can rise due to problem in dry/wet ash evacuation system and the level sensor helps in ensuring safety and security of ESP operation. Accordingly, it has prayed that the claim may be allowed.

31. The respondent, KSEBL has submitted that the claim of the petitioner may be rejected as the same is not covered within the original scope of work. The respondent, TANGEDCO has submitted that the work of installation of level indicator is minor in nature and the same can be met out from the compensation allowance granted to the generating station. Accordingly, it has prayed that the prayer of the petitioner may be disallowed.

32. We have examined the matter. The claim of the petitioner for expenditure towards installation of level sensor in ESP hopper is not admissible as the same is in the nature of tools or tackles. Since the expenditure is in the nature of tools and tackles, the claim of the



petitioner is disallowed. However, the petitioner shall meet the expenditure from the Compensation allowance granted to the generating station vide order dated 27.6.2011. In view of the above, the capitalization of the expenditure is rejected.

Dense phase Pneumatic Fly ash system

33. The petitioner has claimed additional capital expenditure of ₹1514.04 lakh during 2013-14 towards procurement of Dense Pneumatic Fly ash system for Stage-I of the generating system under this head. In justification of the same, the petitioner has submitted that installation of dry fly ash collection and disposal system is required in order to comply with the MoEF, GOI notification dated 14.9.2009. It has further submitted that in accordance with the said notification, every coal and lignite based power stations are required to formulate action plans for utilization of fly ash in time based manner viz, 20% within 3 years with further increase in utilization every year progressively for the next 12 years such that the entire fly ash generated in the generating station will be utilized by the end of 15 years. In view of the above, the petitioner has prayed that the expenditure claimed may be allowed.

34. The respondent, TANGEDCO has submitted that the Commission in its order dated 27.6.2011 in Petition No. 231/2009 had allowed expenditure towards ash pond and ash handling system and hence the claim of the petitioner may not be considered.

35. The matter has been examined. As stated, the Unit-I and II of Stage-I have completed their useful life of 25 years as on 29.9.2011 and 8.5.2012 respectively. Subsequently, Unit-III has also completed its useful life in the year 2012-13. The Commission in order dated 27.6.2011 in Petition No. 231/2009 had allowed Special allowance of ₹1240.68 lakh in 2012-13 and ₹2623.30 lakh and accordingly, the petitioner shall meet the said expenses under the Special allowance granted to the generating station. Hence, the claim of the petitioner is rejected.

Compressor Room for Air System-DPFAHS

36. The petitioner has claimed additional capital expenditure of ₹47.97 lakh in 2013-14 towards Compressor room for air system in Unit-7 of Stage-II of the generating station. In



justification of the same, the petitioner has submitted compressors have been procured as per recommendations of the Committee and the construction of new compressor house is required for placement of the same. Accordingly, the petitioner has prayed that the expenditure claimed may be allowed.

37. It is observed that the claim of the petitioner for new compressor house is in the nature of O & M expenses and has therefore not been considered for capitalization under the provisions of Regulation 9 (2) of the 2009 Tariff Regulations. The Commission in order dated 27.6.2011 in Petition No. 231/2009 had granted Compensation allowance to the generating station and the petitioner shall meet the expenses from the said compensation allowance.

Regulation 9 (2) (iv)

38. The petitioner has claimed additional capital expenditure of ₹2885.87 lakh towards DCS system of Unit-I,II and III&Generator Transformer in the year 2009-10, ₹1.64 lakh for BSNL hotline connective in the year 2010-11 and ₹507.06 lakh for 63 MVAR420 3 Phase BUS in the year 2011-12 under Regulation 9(2)(iv) of Tariff Regulations,2009 for Stage-I and ₹2.19 lakh for BSNL hotline connective in the year 2010-11, ₹695.38 lakh for 63 MVAR420 3 Phase BUS & Governor Mode of Operation in the year 2011-12 and ₹58.05 lakh for Governor Mode of Operation in the year 2012-13 under Regulation 9(2)(iv) of the 2009 Tariff Regulations for Stage-II on the ground that these assets are required for efficient operation of the generating station.

39. The respondent, TANGEDCO has submitted that the expenditure incurred on the said assets are minor in nature and can be met out from the compensation allowance and the O & M expenses hence the claim of the petitioner may be negated.

40. The matter has been examined. Regulation 9 (2) (iv) of the 2009 Tariff Regulations provides for consideration of capitalization of expenditure on assets which have become necessary for successful and efficient plant operation including damage caused by natural calamities in respect of hydro-generating stations. The petitioner has neither submitted any justification for claiming the expenditure for efficient operation nor has prayed for any relaxation of the provision of Regulation 9(2) of the 2009 Tariff Regulations. In absence of



any justification, we find no reason to consider the claim of the petitioner and accordingly the claim of the petitioner to capitalize the above expenditure under this head is not permitted.

41. Based on the above discussions, the actual additional capital expenditure allowed for Stage-I and Stage-II of the generating station for the purpose of tariff for the period 2009-14 are summarized as under:-

Stage-I

(₹ in lakh)

Sl.No	Asset Description	2009-10	2010-11	2011-12	2012-13	2013-14
1	Stack Monitoring Kit 1 No.	0.00	-	-	-	-
2	DCS Stage-I Unit-I	0.00	-	-	-	-
3	Distributed Control System, Stage-I, Unit-2	0.00	-	-	-	-
4	Distributed Control System, Stage-I, Unit-3	0.00	-	-	-	-
5	250 MVA Generator Transformer 1 No.	0.00	-	-	-	-
6	Effluent Treatment Plant 75 Kld Indl. Canteen TS-II	4.80	-	-	-	-
7	Bsnl Hot Line Conective	-	0.00	-	-	-
8	Civil Work- Ash Weigh Bridge, Cabin, Compound Wall Etc	-	-	0.00	-	-
9	Providing RCC Approach Road To Ash Weigh Bridge	-	-	0.00	-	-
10	63MVAR, 420, 3phase-Bus	-	-	0.00	-	-
11	63MVAR, 420kv, 3 Phase R	-	-	0.00	-	-
12	So2/Nox Gas Monitoring	-	-	11.44	-	-
13	So2/Nox Gas Monitoring	-	-	11.44	-	-
14	So2/Nox Gas Monitoring	-	-	11.44	-	-
15	60 Ton Capacity Electronic Comp. Whigh Bridge-1no.	-	-	0.00	-	-
16	E Pond -TPS-II	-	-	-	0.00	-
17	Elgi-Hitachi/Screw Type Compressor 250kw-1 No.	-	-	-	0.00	-
18	Elgi Hitachi/Screw Type Compressor 250kw-1 No.	-	-	-	0.00	-
19	Elgi Hitachi/Screw Type Compressor-1 No.	-	-	-	0.00	-
20	Elgi Hitachi/Screw Type Compressor 132kw- 1 No.	-	-	-	0.00	-
21	Level Sensor In ESP	-	-	-	0.00	-
22	Level Sensor In ESP	-	-	-	0.00	-
23	Outdoor Display Board	-	-	-	0.00	-
24	Dense Phase Pneu. Fly	-	-	-	-	0.00
25	Dense Phase Pneu. Fly	-	-	-	-	0.00
26	Dense Phase Pneu. Fly	-	-	-	-	0.00
	Total	4.80	0.00	34.32	0.00	0.00



Stage-II

(₹ in lakhs)

Sl.No	Asset Description	2009-10	2010-11	2011-12	2012-13	2013-14
	Stack Monitoring Kit 1 No	0.00	-	-	-	-
2	Effluent Treatment Plant 75 KldIncl.Canteen TS-II	6.40	-	-	-	-
3	Bsnl Hot Line Conective	-	0.00	-	-	-
4	Civil Work-Ash Weigh Bridge,Cabin,Compund Wall Etc	-	-	17.18	-	-
5	Providing RCC Approach Road To Ash Weigh Bridge	-	-	45.45	-	-
6	63mvar,420,3phase-Bus	-	-	0.00	-	-
7	63mvar,420kv,3 Phase R	-	-	0.00	-	-
8	Governor Mode Of Opera	-	-	0.00	-	-
9	So2/Nox Gas Monitoring	-	-	11.44	-	-
10	So2/Nox Gas Monitoring	-	-	11.44	-	-
11	Reciprocating Air Compressor- Stage-II- 3 Nos.	-	-	0.00	-	-
12	60 Ton Capacity Electronic Comp. Whigh Bridge-1no.	-	-	0.00	-	-
13	Governor Mode Of Oper.	-	-	-	0.00	-
14	Governor Mode Of Oper.	-	-	-	0.00	-
15	Governer Mode Of Oper	-	-	-	0.00	-
16	Elgi-Hitachi/Screw Type Compressor 250kw-1 No.	-	-	-	0.00	-
17	Elgi Hitachi/Screw Type Compressor 250kw-1 No.	-	-	-	0.00	-
18	Elgi Hitachi/Screw Type Compressor-1 No.	-	-	-	0.00	-
19	Elgi Hitachi/Screw Type Compressor 132kw- 1 No.	-	-	-	0.00	-
20	Level Sensor In ESP	-	-	-	0.00	-
21	Level Sensor In ESP	-	-	-	0.00	-
22	Outdoor Display Board	-	-	-	0.00	-
23	Compressor Room For Air System-DPFAHS At Unit-7.	-	-	-	-	0.00
	Total	6.40	0.00	85.51	0.00	0.00

Reconciliation of actual Additional Capital Expenditure with books of account

42. The petitioner, in compliance with the directions of the Commission vide ROP of the hearing dated 5.1.2016 has submitted vide affidavit dated 6.2.2016, the station wise reconciliation statement of additional capital expenditure for the period 2009-14. In the said reconciliation statement, certain assets have been shown under the heads Deletion/ Sold during each year of the period 2009-14. Accordingly, in the absence of any justification for the same either in the balance sheet or in the reconciliation statement, we are inclined to



consider the said amounts as deletion in the books and deduct the same from the capital cost for the period 2009-14.

43. The petitioner vide affidavit dated 6.2.2016 has submitted the details of additional capitalization as per books of account with respect to Stage-I of the generating station as under:-

Stage-I

(₹ in lakh)

Sl.No	(Stage-I)	2009-10	2010-11	2011-12	2012-13	2013-14
	Total Additional Capital (A)	3986.39	429.09	1825.25	1570.98	5474.14
i	Additional Asset claimed as per Petition (B)	2891.14	1.64	595.74	676.83	1514.05
ii	Additional Asset claimed as Compensation Allowance (C)	409.50	409.50	409.50	273.00	136.50
iii	Additional Asset claimed as Special Allowance (D)	0.00	0.00	0.00	1240.68	2623.30
iv	Balance (Capital Spares) (E)= (A)-(B)-(C)-(D)	685.75	17.95	820.01	619.53*	1200.29

*The value of balance (capital spare) of 619.53 during 2012-13 was not furnished by the petitioner in the affidavit dated 6.2.2016

44. It is observed from the above table that there is a variation of ₹ (-)619.53 lakh in the year 2012-13. It appears that the petitioner has de-capitalized spares of ₹619.53 lakh in the year 2012-13 which has not been indicated in the documents furnished by the petitioner vide affidavit dated 6.2.2016. Accordingly, an amount of ₹619.53 lakh in 2012-13 on capital spares has been de-capitalized.

45. Based on the submission of the petitioner in affidavit dated 6.2.2016, the reconciliation of gross block of Stage-I of the generating station is as under:

Stage-I

(₹ in lakh)

Sl.No		2009-10	2010-11	2011-12	2012-13	2013-14
1	Opening Gross Block	61080.84	65077.09	65234.95	65238.28	67069.46
2	Unit Asset Addition					
i	Additional Asset claimed as per Petition	2891.14	1.64	595.74	676.83	1514.05
ii	Additional Asset claimed as Compensation Allowance	409.50	409.50	409.50	273.00	136.50
iii	Additional Asset claimed as Special Allowance	0.00	0.00	0.00	1240.68	2623.30
iv	Balance (Capital Spares)	685.75	17.95	820.01	-619.53	1200.29
3	Total Unit Asset Addition	3986.39	429.09	1825.25	1570.98	5474.14
v	Common Asset Addition	298.97	289.11	420.68	460.76	167.50
4	Total Addition(3+v)	4285.36	718.20	2245.43	2031.74	5641.64



5	Value Reduction	0.00	2.56	11.52	0.76	44.43
6	Deletion/ sold	289.11	557.78	2231.08	199.80	29131.98
7	Closing Gross Block	65077.09	65234.95	65238.28	67069.46	43534.69

46. It is observed from the above that the actual additional capital expenditure claimed by the petitioner is at variance with the additional capital expenditure as per books of accounts. This variance is on account of the fact that the additional capital expenditure as per books of accounts also includes capitalization of assets under compensation allowance and Special allowance allowed to Stage-I and the capital spares capitalized during 2009-14. Moreover, an amount of ₹29131.98 lakh in 2013-14 for stage-I is shown as deletion/sold which includes a sum of ₹29063.37 lakh towards the gross value of assets transferred to life extension programme and assets which are still in operation in S-I. This deletion has been considered for calculation of capital cost for the period 2009-14 with adjustment of cumulative depreciation amounting to ₹26167.63 lakh.

47. The petitioner vide affidavit dated 6.2.2016 has submitted the details of additional capitalization as per books of account in respect to Stage-II of the generating station as under:-

Stage-II

(₹ in lakh)						
Sl.No		2009-10	2010-11	2011-12	2012-13	2013-14
	Total Additional Capital Expenditure (A)	115.00	0.00	100.00	0.00	0.00
i	Additional Asset claimed as per Petition (B)	7.03	2.19	792.51	262.51	47.97
ii	Additional Asset claimed as Compensation Allowance (C)	252.00	294.00	294.00	357.00	483.00
iii	Additional Asset claimed as Special Allowance (D)	0.00	0.00	0.00	0.00	0.00
iv	Balance (Capital Spares) (E)= (A)-(B)-(C)-(D)	144.03*	296.19*	986.51*	619.51*	530.97*

*The value of Balance (capital spares) were not furnished by the petitioner in the affidavit dated 6.2.2016.

48. It is observed from the above that there has been a variation of (-)₹144.03 lakh, (-)₹296.19 lakh, (-) ₹986.51 lakh, (-)₹ 619.51 lakh and (-)₹530.97 lakh during the years 2009-10, 2010-11, 2011-12, 2012-13 and 2013-14 respectively which are not mentioned in the details of additional capitalization as per books of account in the affidavit dated 6.2.2016 and the reasons for the same has not been furnished by the petitioner in affidavit dated 6.2.2016.



It appears that there is de-capitalization of capital spares of (-)₹259.03 lakh, (-) ₹296.19 lakh, (-)₹1086.51 lakh, (-)₹619.51 lakh and (-) ₹530.97 lakh during 2009-10, 2010-11, 2011-12, 2012-13 and 2013-14 respectively in the books of account. Hence, the above mentioned amounts on capital spares has been considered as de-capitalized in the books.

49. Based on the above, the reconciliation of gross block of Stage- II of the generating station is revised as under:

Stage-II

(₹ in lakh)

Sl.No		2009-10	2010-11	2011-12	2012-13	2013-14
1	Opening Gross Block	122278.78	122393.78	122393.78	122493.78	122493.78
2	Unit Asset Addition					
i	Additional Asset claimed as per Petition	7.03	2.19	792.51	262.51	47.97
ii	Additional Asset claimed as Compensation Allowance	252.00	294.00	294.00	357.00	483.00
iii	Additional Asset claimed as Special Allowance	0.00	0.00	0.00	0.00	0.00
iv	Balance (Capital Spares)	(-)144.03	(-)296.19	(-)986.51	(-)619.51	(-)530.97
3	Total Unit Asset Addition (i+ii+iii+iv)	115.00	0.00	100.00	0.00	0.00
v	Value Addition	0.00	0.00	0.00	0.00	0.00
vi	Common Asset Addition	0.00	0.00	0.00	0.00	0.00
4	Total Addition(3+v+vi)	115.00	0.00	100.00	0.00	0.00
5	Value Reduction	0.00	0.00	0.00	0.00	0.00
6	Deletion/ sold	0.00	0.00	0.00	0.00	0.00
7	Closing Gross Block (4-5-6)	122393.78	122393.78	122493.78	122493.78	122493.78

50. It is observed from the above that the actual additional capital expenditure claimed by the petitioner is at variance with the additional capital expenditure as per books of accounts. This variance is on account of the fact that the additional capital expenditure as per books of accounts also includes capitalization of assets under compensation allowance allowed to Stage-II and the capital spares capitalized during 2009-14.

51. Based on the above, the additional capital expenditure and the capital cost in respect of Stage-I and Stage-II, for the period 2009-14 is revised and allowed as under:

Stage-I

(₹ in lakh)

	2009-10	2010-11	2011-12	2012-13	2013-14
Opening capital cost (A)	61735.60	61740.40	61740.40	61774.72	61155.19
Additional capital expenditure allowed (B)	4.80	0.00	34.32	0.00	0.00



Capital spares de-capitalized but not furnished (C)	0.00	0.00	0.00	-619.53	0.00
Deletion/ sold assets (D)	0.00	0.00	0.00	0.00	(-)29131.98
Total Additional Capital Expenditure allowed E=(B+C+D)	4.80	0.00	34.32	(-)619.53	0.00
Closing capital cost (A+E)	61740.40	61740.40	61774.72	61155.19	61155.19

Stage-II

(₹ in lakh)

	2009-10	2010-11	2011-12	2012-13	2013-14
Opening capital cost (A)	121264.01	121126.38	120715.19	119714.19	119094.68
Additional capital expenditure allowed (B)	6.40	0.00	85.51	0.00	0.00
Capital spares de-capitalized but not furnished (C)	(-)144.03	(-)296.19	(-)986.51	(-)619.51	(-)530.97
Deletion/ sold assets (D)	0.00	0.00	0.00	0.00	0.00
Total Additional Capital Expenditure E =(B+C)	(-)137.63	(-)296.19	(-)901.00	(-)619.51	(-)530.97
Closing capital cost (A+E)	121126.38	120830.19	119929.19	119309.68	118778.71

Return on Equity

52. The petitioner has considered Rate of return on equity as under:

	2009-10	2010-11	2011-12	2012-13	2013-14
Base Rate for RoE	15.500%	15.500%	15.500%	15.500%	15.500%
Tax Rate	33.990%	33.218%	32.445%	32.445%	33.990%
Rate of ROE (pre-tax)	23.481%	23.210%	22.944%	22.944%	23.481%

53. The petitioner has submitted that in the year 2012-13, the income tax liability of the petitioner has been subjected to MAT under Section 115JB of IT Act, 1961 and the tax rate was 20.00775% and the normal corporate tax rate of 32.445%. However, it has stated that the tariff for the year 2012-13 has been adjusted and the excess claim was refunded to the beneficiaries considering the corporate tax rate of 32.445% only and not the applicable MAT rate. The petitioner has submitted that a petition is being filed justifying the applicability of grossing up the return by corporate tax and pending the outcome of the said petition, the tariff was adjusted with the corporate tax rate only. As stated earlier, the cumulative depreciation amounting to ₹ 26167.63 lakh has been adjusted while calculating the average equity for the period 2013-14. Considering the above rates, the RoE has been computed as under:



Stage-I

(₹In lakh)

	2009-10	2010-11	2011-12	2012-13	2013-14
Opening Equity	12481.95	11124.75	9762.03	8426.16	6684.16
Addition due to Additional Capital expenditure	4.80	0.00	34.32	(-) 619.53	(-)29131.98
Adjustment on account of Depreciation	1362.01	1362.71	1370.20	1122.46	26167.63
Closing Equity	11124.75	9762.03	8426.16	6684.16	3719.81
Average Equity	11803.35	10443.39	9094.09	7555.16	5201.99
Return on Equity	2771.54	2423.91	2086.55	1733.46	1221.48

Stage-II

(₹In lakh)

	2009-10	2010-11	2011-12	2012-13	2013-14
Opening Equity	26468.50	24925.93	23246.44	21029.28	19191.01
Additional Capital expenditure	(-)137.63	(-) 296.19	(-) 901.00	(-) 619.51	(-) 530.97
Adjustment on account of Depreciation	1404.93	1383.30	1316.17	1218.76	1132.83
Closing Equity	24925.93	23246.44	21029.28	19191.01	17527.21
Average Equity	25697.22	24086.19	22137.86	20110.14	18359.11
Return on Equity	6033.96	5590.40	5079.31	4614.07	4310.90

Interest on loan

54. The Normative Loan of the Project has already been repaid. The normative loan on account of admitted additional capital expenditure during the respective years of the tariff period has been considered as fully paid, as the admitted depreciation is more than the amount of normative loan in these years. As such, the Interest on Loan during the period 2009-14 is 'Nil'.

Depreciation

55. The date of commercial operation of Stage-I is 23.4.1988 and that of Stage-II is 9.4.1994. Since the generating station has completed 12 years of operation as on 23.4.2000 (Stage-I) and 9.4.2006 (Stage-II) respectively, the remaining depreciable value has been spread over the balance useful life of the assets. Accordingly, the necessary calculation for depreciation is as under:

Stage-I

(₹In lakh)

	2009-10	2010-11	2011-12	2012-13	2013-14
Opening Gross Block	61735.60	61740.40	61740.40	61774.72	61155.19
Additional Capital Expenditure	4.80	0.00	34.32	(-)619.53	(-)29131.98
Closing gross block	61740.40	61740.40	61774.72	61155.19	32023.21
Average gross block	61738.00	61740.40	61757.56	61464.96	46589.20
Depreciable Value	54787.50	54789.66	54805.10	54541.76	41153.58
Balance Useful life of the asset	4.1	3.1	2.1	1.1	0.1
Remaining Depreciable Value	5533.85	4174.01	2826.74	1193.19	0.00
Depreciation	1362.01	1362.71	1370.20	1122.46	0.00



Stage-II

(₹In lakh)

	2009-10	2010-11	2011-12	2012-13	2013-14
Opening Gross Block	121264.01	121126.38	120830.19	119929.19	119309.68
Additional Capital Expenditure during 2009-14	-137.63	-296.19	-901.00	-619.51	-530.97
Closing gross block	121126.38	120830.19	119929.19	119309.68	118778.71
Average gross block	121195.20	120978.29	120379.69	119619.44	119044.20
Depreciable Value	108879.48	108684.26	108145.52	107461.29	106943.58
Balance Useful life of the asset	10.0	9.0	8.0	7.0	6.0
Remaining Depreciable Value	14083.96	12483.81	10561.78	8561.38	6824.90
Depreciation	1404.93	1383.30	1316.17	1218.76	1132.83

O & M Expenses

56. O & M expenses as allowed in order dated 27.6.2011 in Petition No.231/2009 is considered as under:

	2009-10	2010-11	2011-12	2012-13	2013-14
Stage-I	11466.00	12121.20	12814.20	13551.30	14326.20
Stage-II	15288.00	16161.60	17085.60	18068.40	19101.60

Interest on Working Capital

Fuel component in working capital

57. The Commission in its order dated 27.6.2011 in Petition No.231/2009 had allowed the cost for fuel component in working capital as under:

Sl.No		2009-10	2010-11	2011-12	2012-13	2013-14
STAGE-I						
1.	Cost of Lignite for 1.5 months	6063.60	6063.60	6080.22	6063.60	6063.60
2.	Cost of secondary fuel oil for 2 months	252.49	252.49	253.18	252.49	252.49
STAGE-II						
1.	Cost of Lignite for 1.5 months	8084.80	8084.80	8106.95	8084.80	8084.80
2.	Cost of secondary fuel oil for 2 months	336.65	336.65	337.57	336.65	336.65

58. The petitioner in the final true up petition has claimed the following cost for fuel component in working capital:-



Sl.No		2009-10	2010-11	2011-12	2012-13	2013-14
STAGE-I						
1.	Cost of Lignite for 1.5 months	5877.08	5877.08	5893.18	5877.08	5877.08
2.	Cost of secondary fuel oil for 2 months	252.49	252.49	253.18	252.49	252.49
STAGE-II						
1.	Cost of Lignite for 1.5 months	7836.00	7836.00	7858.00	7836.00	7836.00
2.	Cost of secondary fuel oil for 2 months	336.65	336.65	337.57	336.65	336.65

59. It is observed that the revision in the claim of the petitioner in the lignite cost is on account of the consideration of revised pooled lignite transfer price of ₹ 1031/MT for the year 2008-09 as approved by the Commission in order dated 5.2.2014 in Petition No. 167/MP/2011, wherein the pooled lignite transfer price for the period from 1.4.2009 to 31.3.2014 was revised based on the actual mine closure cost as approved by Ministry of Coal, GOI. Thus, on account of the revision in the pooled lignite transfer price for the year 2008-09 to ₹1031/MT in order dated 5.2.2014 from ₹1064/MT in order dated 27.6.2011, the fuel component in working capital is required to be revised.

60. Subsequently, the Commission by order dated 12.05.2015 in Petition No. 65/MP/2013 had allowed the expenditure due to wage revision of NLC employees employed in the mines and for CISF security personnel & Kendiya Vidyalaya staff. The Commission while allowing wage revision in O&M of mines, directed in the said order as under:

“Accordingly, the petitioner is directed to calculate the impact on variable charge for the tariff period 2006-09 and capacity charge and variable charge in 2009-14 for its different generating stations due to increase in wage revision for Mines and accordingly, adjust tariff as approved by the Commission for NLC TPS-I, NLC TPS-II (Stage-I and Stage-II) and NLC TPS-I (Expansion).”

61. In terms of the above observations, the fuel component in working capital allowed for the period 2009-14 shall be revised and adjusted by the petitioner.

Lignite Stock

62. Accordingly, lignite stock for 1½ months considered for the purpose of tariff is as under:



(₹ in lakh)

	2009-10	2010-11	2011-12	2012-13	2013-14
Stage-I	5875.54	5875.54	5891.64	5875.54	5875.54
Stage-II	7834.05	7834.05	7855.52	7834.05	7834.05

Oil Stock

63. Accordingly, Oil stock for two months considered for the purpose of tariff is as under :

(₹ in lakh)

	2009-10	2010-11	2011-12	2012-13	2013-14
Stage-I	252.49	252.49	253.18	252.49	252.49
Stage-II	336.65	336.65	337.57	336.65	336.65

Maintenance Spares

64. In terms of Regulation 18(1)(a)(iii) of the 2009 Tariff Regulations, the maintenance spares for the generating station has been worked out @ 20% of the operation and maintenance expenses specified in Regulation 19 and allowed as under:

(₹ in lakh)

	2009-10	2010-11	2011-12	2012-13	2013-14
Stage-I	2293.20	2424.24	2562.84	2710.26	2865.24
Stage-II	3057.60	3232.32	3417.12	3613.68	3820.32

Receivables

65. In terms of Regulation 18(1)(a)(iv) of the 2009 Tariff Regulations, receivables equivalent to two months of capacity charges and energy charges for sale of electricity calculated on the normative annual plant availability factor, has been computed as under:

Stage-I

(₹ in lakh)

	2009-10	2010-11	2011-12	2012-13	2013-14
Fixed Charges	3340.24	3396.56	3463.94	3677.84	3748.19
Variable Charges	7834.05	7834.05	7855.52	7834.05	7834.05
Total	11174.30	11230.62	11319.46	11511.89	11582.24

Stage-II

(₹ in lakh)

	2009-10	2010-11	2011-12	2012-13	2013-14
Fixed Charges	4731.58	4813.37	4879.66	4965.67	5102.79
Variable Charges	10445.40	10445.40	10474.02	10445.40	10445.40
Total	15176.99	15258.78	15353.69	15411.07	15548.20



O&M Expenses

66. O&M expenses for 1 month considered for the purpose of tariff is as under :

(₹ in lakh)

	2009-10	2010-11	2011-12	2012-13	2013-14
Stage-I	955.50	1010.10	1067.85	1129.28	1193.85
Stage-II	1274.00	1346.80	1423.80	1505.70	1591.80

Rate of interest on working capital

67. Sub- Clause (3) of Regulation 18 of the 2009 Tariff Regulations provides that Rate of interest on working capital shall be on normative basis and shall be equal to the short-term Prime Lending Rate of State Bank of India as on 1.4.2009 or on 1st April of the year in which the generating station or a unit thereof or the transmission system, as the case may be, is declared under commercial operation, whichever is later. Accordingly, SBI PLR of 12.25% as on 1.4.2009 claimed by the petitioner has been considered for tariff.

68. Based on the above, Interest on working capital allowed for the period 2009-14, is as under:

Stage-I

(₹ in lakh)

	2009-10	2010-11	2011-12	2012-13	2013-14
O&M expense	955.50	1010.10	1067.85	1129.28	1193.85
Receivables	11174.30	11230.62	11319.46	11511.89	11582.24
Maintenance Spare	2293.20	2424.24	2562.84	2710.26	2865.24
Secondary Fuel oil cost	252.49	252.49	253.18	252.49	252.49
Fuel Stock	5875.54	5875.54	5891.64	5875.54	5875.54
Total Working Capital	20551.02	20792.98	21094.96	21479.45	21769.36
Interest Rate	12.25%	12.25%	12.25%	12.25%	12.25%
Interest on Working Capital	2517.50	2547.14	2584.13	2631.23	2666.75

Stage-II

(₹ in lakh)

	2009-10	2010-11	2011-12	2012-13	2013-14
O&M expense	1274.00	1346.80	1423.80	1505.70	1591.80
Receivables	15176.99	15258.78	15353.69	15411.07	15548.20
Maintenance Spare	3057.60	3232.32	3417.12	3613.68	3820.32
Secondary Fuel oil cost	336.65	336.65	337.57	336.65	336.65
Fuel Stock	7834.05	7834.05	7855.52	7834.05	7834.05
Total Working Capital	27679.29	28008.60	28387.69	28701.15	29131.02
Interest Rate	12.25%	12.25%	12.25%	12.25%	12.25%
Interest on Working Capital	3390.71	3431.05	3477.49	3515.89	3568.55



69. The Special allowance in respect of Stage-I and compensation allowance in respect of Stages- I and II of the generating station as granted vide order dated 25.6.2013 in Petition No. 17/RP/2011 has been considered in this order.

Annual Fixed Charges

70. Accordingly, the annual fixed charges allowed for the period from 2009-2014 are summarized as under:

Stage-I

	(₹ in lakh)				
	2009-10	2010-11	2011-12	2012-13	2013-14
Return on Equity	2771.54	2423.91	2086.55	1733.46	1221.48
Interest on Loan	0.00	0.00	0.00	0.00	0.00
Depreciation	1362.01	1362.71	1370.20	1122.46	0.00
Interest on Working Capital	2517.50	2547.14	2584.13	2631.23	2666.75
O&M Expenses	11466.00	12121.20	12814.20	13551.30	14326.20
Cost of secondary fuel oil	1514.91	1514.91	1519.06	1514.91	1514.91
Compensation allowance	409.50	409.50	409.50	273.00	136.50
Special allowance in lieu of R&M	0.00	0.00	0.00	1,240.68	2,623.30
Annual Fixed Charges	20041.46	20379.37	20783.64	22067.05	22489.13

Stage-II

	(₹ in lakh)				
	2009-10	2010-11	2011-12	2012-13	2013-14
Return on Equity	6033.96	5590.40	5079.31	4614.07	4310.90
Interest on Loan	0.00	0.00	0.00	0.00	0.00
Depreciation	1404.93	1383.30	1316.17	1218.76	1132.83
Interest on Working Capital	3390.71	3431.05	3477.49	3515.89	3568.55
O&M Expenses	15288.00	16161.60	17085.60	18068.40	19101.60
Cost of secondary fuel oil	2019.88	2019.88	2025.41	2019.88	2019.88
Compensation allowance	252.00	294.00	294.00	357.00	483.00
Annual Fixed Charges	28389.49	28880.24	29277.98	29794.00	30616.76

Energy Charge Rate(ECR)

71. The petitioner vide affidavit dated 6.2.2016 has prayed that the petitioner may be permitted to revise Energy Charges based on the actual secondary oil consumption and has submitted as follows:-

“(a) NLC had computed ECR for the tariff period 2009-14 in accordance with Regulation 21(6) of CERC 2009-14 Tariff Regulations adopting the normative Secondary Fuel Oil Consumption (SFC) as specified in Regulation 26(iii) of the 2009 Tariff Regulations and recovered the same from the beneficiaries.



(b) The petitioner seeks permission of the Commission for substitution of the actual SFC in lieu of normative SFC, hitherto applied by NLC in the ECR determination under Regulation 21(6) for the period 2009-14, in accordance with the Para12 of the order in Petition No. 285/MP/2013 and to recover from the beneficiaries along with interest, the differential amount due to revision of ECR consequent to application of actual SFC in lieu of Normative SFC in the algorithm.”

72. The matter has been examined. In Petition No. 285/MP/2013 filed by KSEB, it was contended by KSEB that the normative value of SFC has to be adopted for arriving at the Energy Charge Rate as against the methodology adopted by NTPC in adjusting the Energy Charge at the end of a year by taking average of (normative SFC+ actual SFC)/2 a year. The Commission after interpretation of the provisions of Regulation 21 (6) of the 2009 Tariff Regulations by order dated 10.7.2015 held that the methodology adopted by the NTPC was wrong. However, based on the fact that NTPC was charging less by applying this methodology as compared to the energy charge considering normative specific fuel oil consumption 1ml/kWh, the prayer of KSEB was rejected by the said order. It was also clarified in the said order that the decision in this case shall not be used to reopen the settled cases. The relevant portion of the order dated 10.7.2015 is extracted as under:

“16. Perusal of billing data given in the petition reveals that the respondent is adjusting Energy Charge at the end of a year by taking average of (normative SFC+ actual SFC)/2 of a year. This methodology has been adopted by NTPC to share the savings in the consumption of actual SFC in comparison to normative SFC. However, the said methodology is in deviation to Regulation 21 (6) of the Tariff Regulations. However, NTPC is charging less by applying this methodology as compared to the energy charge considering normative specific fuel oil consumption 1ml/kW.

17. In view of the above discussions, there is no merit in the contention of the petitioner. It is clarified that the decision in this case shall not be used to reopen the settled cases.”

73. The petitioner in this petition has also sought for substitution of the actual SFC in lieu of normative SFC, in the ECR determination under Regulation 21(6) for the period 2009-14, in terms of the order dated 10.7.2015. The Commission in its order dated 10.7.2015 while holding that the methodology adopted by NTPC was not in conformity to the Regulation 26(a) of the 2009 Tariff Regulations had observed that NTPC was charging less by applying the said methodology. Accordingly, the decision in the case of NTPC cannot be made applicable to the instant case of the petitioner. The petitioner has also prayed for recovery from the beneficiaries along with interest, the differential amount due to revision of ECR



consequent to application of actual SFC in lieu of normative SFC. It is noticed that the Commission in the said order had clarified that the said decision cannot be used to reopen settled cases. In the light of the above discussions, the submissions of the petitioner are not acceptable and the prayer of the petitioner for substitution of the actual SFC in lieu of normative SFC in the ECR determination is accordingly rejected.

74. The difference between the annual fixed charges determined by order dated 30.8.2010 and 7.6.2013 and the annual fixed charges determined by this order shall be adjusted in terms of the proviso to Regulation 6 (6) of the 2009 Tariff Regulations, as amended on 21.6.2011.

75. Petition No. 473/GT/2014 is disposed of in terms of the above.

Sd/-
(Dr. M.K.Iyer)
Member

Sd/-
(A. S. Bakshi)
Member

Sd/-
(A. K. Singhal)
Member

Sd/-
(Gireesh B. Pradhan)
Chairperson

