

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

**Review Petition No. 47/RP/2018
In Petition No. 117/GT/2018**

Coram:
Shri P.K. Pujari, Chairperson
Dr. M. K. Iyer, Member

Date of Hearing: 7.3.2019
Date of Order: 4.6.2019

In the matter of:

Review of the order dated 09.10.2018 passed by the Hon'ble Commission in the matter of Approval of Generation Tariff of Koteshwar Hydro Electric Project (4x100 MW) for the period 01.04.2014 to 31.3.2019.

And

In the matter of

THDC India Limited,
(A Joint Venture of Govt. of India & Govt. of U.P),
Pragatipuram, Bypass Road,
Rishikesh -110003 (Uttrakhand)Petitioner

Versus

1. Punjab State Power Corporation Limited
The Mall, Patiala-147 001
2. Haryana Power Utilities (DHBVNL & UHBVNL)
Shakti Bhawan,
Sector-VI, Panchkula,
Haryana-134109
3. Uttar Pradesh Power Corporation Limited
Shakti Bhawan,
14 Ashok Marg, Lucknow-226001,



4. BSES Rajdhani Power Ltd
BSES Bhawan, Nehru Place,
New Delhi- 110019
5. BSES Yamuna Power Ltd
Shakti Kiran Building, Karkardooma, Delhi- 110092
6. Tata Power Delhi Distribution Ltd
33 kV Substation, Hudson Line, Kingsway Camp, Delhi-110009
7. Engineering Department
Chandigarh Administration, 1st Floor,
UT Secretariat, Sector 9-D, Chandigarh-160009
8. Uttrakhand Power Corporation Ltd.,
Urja Bhawan, Kanwali Road,
Dehradun -248 001
9. Himachal Pradesh State Electricity Board,
Vidyut Bhawan, Kumar House Complex Building II,
Shimla-171004
10. Jaipur Vidyut Vitran Nigam Ltd
Vidyut Bhawan, Janpath,
Joytinagar, Jaipur- 302005
11. Ajmer Vidyut Vitran Nigam Ltd
Old Power House, Hathi Bhata,
Jaipur Road, Ajmer- 305001
12. Jodhpur Vidyut Vitran Nigam Ltd
New Power House,
Industrial Area, Jodhpur-342003
13. Power Development Department,
Govt. of Jammu and Kashmir,
Civil Secretariat, Jammu- 180001Respondents

Parties present:

For Petitioner: Shri M.G. Ramachandran, Advocate, THDCIL
 Ms. Anushree Bardhan, Advocate, THDCIL
 Shri Mukesh Kumar Verma, THDCIL
 Shri S. M. Siddiqui, THDC



For Respondent: Shri R.B. Sharma, Advocate, BRPL
Shri Mohit Mudgal, Advocate, BRPL
Shri Naveen Chnadra, BRPL
Shri Varun Shankar, Advocate, TPDDL
Shri Abhishek Upadhyay, Advocate, TPDDL

ORDER

The Petitioner, THDC India Ltd. has filed this Review Petition against the Commission's order dated 9.10.2018 in Petition No. 117/GT/2018, wherein the Commission had determined the tariff of Koteshwar Hydroelectric Power Project (4 x 100 MW) for the period from 1.4.2014 (COD of Unit -I) to 31.3.2019 in terms of the CERC (Terms and Conditions of Tariff) Regulations, 2014, (hereinafter referred to as the 2014 Tariff Regulations)

2. Aggrieved by the said order dated 9.10.2018, the Petitioner has sought review on the ground that there are errors apparent on the face of record on the following:

- (i) *Non-consideration of additional capital expenditure funded through internal resources of the company towards the equity component.*
- (ii) *Non-consideration of the actual income tax rate while computing the return of equity component.*

3. By interim order dated 30.1.2019, the Commission admitted the Review Petition on the above issues and notice was issued to the Respondents with directions to complete pleadings in the matter. No Reply has been filed by the Respondents.

4. Thereafter, the matter was heard on 7.3.2019 and the Commission, after hearing the Petitioner reserved its order in the Petition. Based on the submissions of



the parties and the documents available on record, we proceed to examine the reliefs prayed for by the Petitioner as stated in the subsequent paragraphs.

(I) Non-consideration of additional capital expenditure funded through internal resources of the company towards the equity component.

5. The petitioner has submitted that for the purpose of computation of the equity component of the total capital cost, the Commission has proceeded to consider additional capitalization at the debt equity ratio of 70:30. Thus the Commission has held that out of the Rs 4482.47 lakhs for the FY 2014 -15, Rs. 6124.87 lakhs for the FY 2015 -16 and Rs. 649.51 lakhs for the FY 2016 -17 towards additional capitalization; 30% of the said amount namely Rs 1318.21 lakhs for the FY 2014 -15, Rs 1834.08 lakhs for the FY 2015 -16 and Rs. 191.40 lakhs for the FY 2016 -17 is the equity component.

6. The petitioner further submitted that the additional capitalization incurred by the THDC is the capital cost within the original scope of work to be undertaken. Accordingly, such capital cost should be considered together with the capital cost as on the date of the COD and the over-all debt equity ratio of 70:30 should be worked out with reference to such overall cost i.e equity after the capital work undertaken does not exceed 30%. Such capital cost incurred after the date of the COD could have been incurred even before the date of the COD except that it would not have been in public interest to defer the COD till the incurring of all the capital cost (within the original scope of work). Accordingly, the COD had been declared even prior to the incurring of such cost in public interest and in the interest of consumer at large.



In view of the above, it will be appropriate that the Commission allows the additional capitalization through equity so long as the aggregate of additional capitalization funded through equity and capital cost as on the COD to the extent funded through equity doesn't exceed the normative 30%.

Analysis and decision

7. We have considered the submission of the petitioner. The Commission has already rejected higher debt equity ratio after COD of the present station during the last tariff period (2009-14) in its order dated 16.4.2019 in review petition no. 41/RP/2018 in petition no. 165/GT/2017 as follows:

14. We have considered the submission of the petitioner. According to Regulation 12 (3) of 2009 Tariff Regulations, the debt equity ratio of 70:30 shall be applied for the purpose of additional capitalization. The Commission has consistently followed this while handling add cap. Accordingly, we do not find any error apparent on the face of record. Hence, the review on this ground is rejected.

8. In line with the above and according to Regulation 19 (5) of 2014 Tariff Regulations, the debt equity ratio of 70:30 shall be applied for the purpose of additional capitalization. Accordingly, we do not find any error apparent on the face of record. Hence, the review on this ground is rejected.

(II) Non-Consideration of the actual income tax rate while computing the return of equity component.

9. The Petitioner submits in the Petition No. 117/GT/2018, THDC had claimed the actual tax rate of 20.9605%, 21.3416% and 21.3416%, for the FY 2014-15, 2015-16 and 2016-17 respectively. However, at para 31 of the order while computing the return on equity, this Commission has taken the MAT rate of 20.961%



for the all the financial years upto 2018-19.

10. During the relevant period namely FY 2014-15, 2015-16 and 2016-17, THDC had been subjected to actual tax at the rate of 20.9605%, 21.3416% and 21.3416% respectively and not the tax rate of 20.961%.

Analysis and decision

11. Effective tax rate of income tax shall be considered at the time of truing up of the petition as per prevailing practice of the Commission.

12. However, in view of the revision of the capital cost as on 31.3.2014 vide order dated 16.4.2019 in review petition no. 41/RP/2018 in petition no.165/GT/2017, the tariff of the generating station determined by order in petition no. 117/GT/2018 dated 9.10.2018 stands revised as stated in the subsequent paragraphs.

Return on Equity

13. Return on Equity allowed in para 31 of order dated 9.10.2018 is revised as under:

	(₹ in lakh)				
	2014-15	2015-16	2016-17	2017-18	2018-19
Gross Notional Equity	58695.66	60013.87	61847.95	62039.35	62096.69
Addition due to Additional Capitalization	1318.21	1834.08	191.40	57.35	114.00
Closing Equity	60013.87	61847.95	62039.35	62096.69	62210.69
Average Equity	59354.76	60930.91	61943.65	62068.02	62153.69
Return on Equity (Base Rate)	16.500%	16.500%	16.500%	16.500%	16.500%
Tax rate for the period	20.961%	20.961%	20.961%	20.961%	20.961%
Rate of Return on Equity	20.876%	20.876%	20.876%	20.876%	20.876%
Return on Equity	12,390.90	12,719.94	12,931.36	12,957.32	12,975.21



Interest on loan

14. Interest on loan worked out and allowed in para 35 of order dated 9.10.2018

is revised as under:

	(₹ in lakh)				
	2014-15	2015-16	2016-17	2017-18	2018-19
Gross Normative Loan	203412.06	206487.88	210767.39	211214.00	211347.81
Cumulative Repayment	28634.90	41212.58	54038.57	67017.31	80013.10
Net Loan-Opening	174777.16	165275.30	156728.83	144196.69	131334.70
Repayment during the year	12577.68	12825.98	12978.75	12995.79	13006.01
Addition due to Additional Capitalization	3075.82	4279.51	446.61	133.81	266.00
Net Loan-Closing	165275.30	156728.83	144196.69	131334.70	118594.69
Average Loan	170026.23	161002.06	150462.76	137765.70	124964.70
Weighted Average Rate of Interest	12.3995%	12.2835%	12.1468%	9.5785%	9.2909%
Interest on Loan	21082.40	19776.69	18276.41	13195.89	11610.35

Depreciation

15. Depreciation allowed in para 37 of order dated 9.10.2018 is also revised as

under:

	(₹ in lakh)				
	2014-15	2015-16	2016-17	2017-18	2018-19
Opening Gross Block	262240.26	266634.29	272747.88	273385.89	273577.04
Additional capital expenditure during the period	4394.03	6113.59	638.01	191.15	380.00
Closing gross block	266634.29	272747.88	273385.89	273577.04	273957.04
Average gross block	264437.28	269691.09	273066.89	273481.47	273767.04
Rate of Depreciation	4.756%	4.756%	4.753%	4.752%	4.751%
Depreciable Value	237577.94	242306.37	245344.59	245717.71	245974.73
Remaining Depreciable Value	208943.04	201107.45	191321.93	178719.12	165980.35
Depreciation	12577.68	12825.98	12978.75	12995.79	13006.01

O & M Expenses

16. O & M Expenses worked out and allowed in para 41 of order dated 9.10.2018

is revised as under:



(₹ in lakh)

	2014-15	2015-16	2016-17	2017-18	2018-19
O & M Expenses	5932.00	6325.88	6745.92	7193.85	7671.52

Interest on Working Capital

17. Consequent on the above, the Interest on Working Capital allowed in para 44 of order dated 9.10.2018 is revised as under:

(₹ in lakh)

	2014-15	2015-16	2016-17	2017-18	2018-19
Maintenance Spares	889.80	948.88	1011.89	1079.08	1150.73
O & M expenses	494.33	527.16	562.16	599.49	639.29
Receivables	8895.11	8840.20	8720.36	7940.23	7758.69
Total	10279.25	10316.24	10294.41	9,618.80	9,548.72
Rate of IWC	13.50%	13.50%	13.50%	13.50%	13.50%
Interest on Working Capital	1387.70	1392.69	1389.75	1298.54	1289.08

18. Based on the above discussions, the annual fixed charges as approved in para 45 of the order dated 9.10.2018 stands revised as under:

(₹ in lakh)

	2014-15	2015-16	2016-17	2017-18	2018-19
Return on Equity	12390.90	12719.94	12931.36	12957.32	12975.21
Interest on Loan	21082.40	19776.69	18276.41	13195.89	11610.35
Depreciation	12577.68	12825.98	12978.75	12995.79	13006.01
Interest on Working Capital	1387.70	1392.69	1389.75	1298.54	1289.08
O & M Expenses	5932.00	6325.88	6745.92	7193.85	7671.52
Total	53370.68	53041.18	52322.18	47641.39	46552.16

19. Petition No. 47/RP/2018 is disposed of in terms of the above.

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

Sd/-
(P.K.Pujari)
Chairperson

