

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Coram :

- 1. Shri. Ashok Basu, Chairperson**
- 2. Shri A.H. Jung, Member**

**Review Petition No. 68/2006
in
Petition No. 30/2005**

In the matter of

Review of order dated 9.5.2006 in Petition No. 30/2005 for approval of tariff in respect of Tankapur HE Project, for the period 1.4.2004 to 31.3.2009.

And in the matter of

National Hydroelectric Power Corporation Limite.

.....Petitioner

Vs

1. Punjab State Electricity Board, Patiala
 2. Haryana Vidyut Prasaran Nigam Ltd, Panchkula
 3. Delhi Transco Ltd, New Delhi
 4. Uttar Pradesh Power Corporation Ltd., Lucknow
 5. Rajasthan Rajya Vidyut Prasaran Nigam Ltd, Jaipur
 6. Jaipur Vidyut Vitaran Nigam Ltd, Jaipur
 7. Jodhpur Vidyut Vitaran Nigam Ltd, Jodhpur
 8. Ajmer Vidyut Vitaran Nigam Ltd., Ajmer
 9. Power Transmission Corporation of Uttranchal Ltd, Dehradun
 10. Himachal Pradesh State Electricity Board, Shimla
 11. Chief Engineer & Secretary, Chandigarh Administration, Chandigarh
 12. Power Development Department, Govt. of J&K, Srinagar
- .Respondents**

The following were present

1. Shri S.D.Tripathi, NHPC
2. Shri Prashant Kaul, NHPC
3. Shri P.Kumar, NHPC
4. Shri C. Vinod, NHPC
5. Shri Naveen Samriya, NHPC
6. Shri S.K.Meena, NHPC
7. Shri Anshuman Ray, NHPC

**ORDER
(DATE OF HEARING: 17.10.2006)**

This application has been made for review of order dated 9.5.2006 in Petition No.30/2005 for determining the tariff in respect of Tanakpur Hydroelectric Project for the period 1.4.2004 to 31.3.2009.

2. The petitioner has contended that there are certain fundamental errors in the said order dated 9.5.2006 and accordingly has sought review thereof. According to the petitioner, the order needs to be reviewed on account of the following errors present therein:

- (a) Treatment of depreciation when it exceeds the repayment of loan;
- (b) Computation of the balance useful life of the assets for the purpose of determining depreciation;
- (c) Computation of Advance Against Depreciation based on repayment of loan;
- (d) Computation of O&M Expenses;
- (e) Computation of interest on Working Capital; and
- (f) Reimbursement of filing fee and expenditure incurred on publication of notices.

3. Heard the representative of the petitioner, on admission. Admit application for review on grounds (a), (c), (d), (e) and (f) above.

4. As regards para 2(b) above, the petitioner has contended that the average useful life of a hydroelectric generating station should be taken as 35 years as per the prevailing practice and the balance useful life be considered accordingly for tariff purpose. It has been submitted that based on the methodology adopted by the Commission, the life of the generating station is susceptible to change whenever there is addition/deletion of some other capital asset. According to the petitioner, the methodology adopted by the Commission is erroneous as the useful life of the assets can never be 'variable'. The petitioner has also submitted that CEA always

considers the useful life of a hydroelectric generating station as 35 years while considering the commercial viability of a hydro scheme.

5. The weighted average useful life of a generating station is calculated based on the rates of depreciation of individual components, which vary from 5 years to 50 years. The petitioner's contention that the life of the assets can never be 'variable' is clearly contrary to the provisions of the Accounting Standards – 6, which provides that the historical cost and life of the assets can undergo changes for various reasons. Thus, contention of the petitioner is not tenable. As the petitioner has not brought out any new evidence nor any error apparent on the face of record, we hold that no case has been made for reviewing the aspect of balance useful life of the generating station. If the petitioner is aggrieved by the methodology adopted by the Commission for determination of the balance useful life of the plant, it is at liberty to approach the Commission, in a separate proceeding, if so advised.

6. As regards review of O & M expenses, the petitioner has submitted that spares amounting to Rs. 79.77 lakh which were also consumed in the year 2002-03 should be considered towards O & M purpose. The representative of the petitioner has undertaken to file the details of spares consumed amounting to Rs. 79.77 lakh for the Commission's scrutiny. The representative of the petitioner has also undertaken to furnish the number of employees likely to be given VRS year wise for the tariff period 2004-09 and expenses on account of VRS and reduction of expenses on account of salaries, wages, allowances, welfare expenses (employees cost) after VRS for the subsequent years.

7. The petitioner is directed to serve a copy of the petition on the respondents by 10.11.2006, for which a confirmation shall be filed latest by 15.11.2006. The respondents may file their reply by 11.12.2006 with copy to the petitioner, who may file its rejoinder, if any, latest by 22.12.2006.

8. The petitioner is further directed to submit the details of depreciation recovered so far, in respect of all its generating stations for the Commission's consideration, along with information as per para 6 above, duly supported by affidavit, with a copy to the respondents latest by 15.12.2006

9. List this petition on 28.12.2006.

sd-/
(A.H.JUNG)
MEMBER

sd-/
(ASHOK BASU)
CHAIRPERSON

New Delhi dated the 17th October 2006