

9	Corporate Office Expenses allocation	744.81	1194.70	449.89	60.4%	Increase in staff Cost and total expenditure charged to O&M activity consequent upon cessation to construction works
10	Others (Specify items)					
11	Total (1 to 10)	6042.76	5715.99	-326.77		
12	Revenue/Recoveries, if any	253.90	151.77	-102.14	-40.2%	
13	Net Expenses	5788.86	5564.22	-224.63		

## Notes

- I The process of allocation of Corporate expenses to generating stations to be specified  
Corporate Office Expenses are allocated as under :-  
CO management expenses are allocated to Power Station in the ratio of Weighted Average installed capacity of Power Station  
**Note:** Reference Schedule-23 Significant Accounting Policies of the Balance Sheet of NHDC ( ISP Balance Sheet 2008-09, No.21)
- II An annual increase in O&M expenses under a given head in excess of 20% should be explained
- III The date should be based on audited balance sheets

(B)	Breakup of Corporate expenses					
	-Employee Expenses	999.43	1359.94	360.50	36.1%	1.50% D.A.Merger 2. Rate of provision for pay revision increased under each category of Employees 3. Quarterly DA increment 4. Normal Annual increment of employees
	- Repair and maintenance	57.03	51.51	-5.52	-9.7%	
	-Communication	22.98	20.81	-2.36	-10.3%	
	-Travelling	54.62	74.09	19.46	35.6%	1. Increase in travelling exp. of consultants/others 2. Occurrence of foreign tour during 2008-09 3. Increase in tour exp. due to residential/non residential training at outstations. 4. Increase in Boarding /lodging/DA exp.
	-Security	10.74	12.01	1.27	11.8%	
	-Rent	59.95	56.54	-3.40	-5.7%	
	-Others	244.48	299.73	55.27	22.6%	1. Survey & Investigation exp. Write off Rs. 5.46 crores 2. Increase in CSR exp. 3. Increase in Advt. & publicity exp for recruitment of special drive & sponsorship events. 4. Increase in rate of property tax, deposit of service tax on sponsorship events
	Total	1449.21	1874.43			
(C)	Details of number of Employees					
	I) Executive	81	78			
	II) Non-Executive	161	153			
	Total	242	231			

  
 (PETITIONER)

CENTRAL ELECTRICITY REGULATORY COMMISSION  
4th Floor, Chanderalok, 36, Janpath, NEW DELHI- 110001  
PH.23353503 FAX-23753923

Ref: Petition No.154/2010

dated 10.6.2010

To,

→ Shri Subhash Sanyal  
Chief Engineer (PM& C)  
National Hydroelectric Development Corporation Ltd,  
NHDC Parisar,  
Shyamala Hills,  
Bhopal-462013 (M.P.)

Sir,

Sub: **Petition No.154/2010**- Petition for approval of generation tariff for Indra Sagar power station (8x125 MW) u/c 79(1) of the 'CERC (Conduct of Business) Regulations, 1999' and u/c 79(1)(a) of the 'Electricity Act, 2003'

On scrutiny of your petition for approval of generation tariff for the period 2009-14, based on the CERC (Terms and Conditions of Tariff) Regulations, 2009, it is observed that a prayer has also been made for revision of fixed charges after considering the impact of additional capitalization for the period 2008-09, in terms of the CERC (Terms and Conditions of Tariff) Regulations, 2004.

Since the determination of tariff for the period 2004-09 and 2009-14 respectively, is governed by two different set of regulations specified by the Commission, it is advised that the claims for additional capitalization for 2008-09 may be filed through a separate application, with appropriate fees, for consideration of the Commission.

The petition for determination of tariff for the period 2009-14 may accordingly be modified, and resubmitted for consideration of the Commission. Copy of the amended petitions may also be served on the respondents and proof submitted.

Further action will be taken in the matter after compliance with the above.

B.Sreekumar  
Assistant Chief (Legal)

691  
15/6/10

SM (PM&C)  
17/6

Dir (PM&C)-I  
For info please  
18/6

Engg (P)  
18/6

CENTRAL ELECTRICITY REGULATORY COMMISSION  
NEW DELHI

Coram:

1. Shri R.Krishnamoorthy, Member
2. Shri S.Jayaraman, Member
3. Shri V.S.Verma, Member

Petition No. 33/2009

In the matter of

Approval of revised fixed charges on account of additional capitalization for the period 25.8.2005 to 31.3.2009 in respect of Indira Sagar Hydroelectric Project (8 x 125 MW).

And in the matter of

Narmada Hydroelectric Development Corporation Ltd  
Vs

.....Petitioner

1. Madhya Pradesh State Electricity Board, Jabalpur
2. Narmada Valley Development Department, Bhopal

..... Respondents

The following were present

1. Shri Rajeev Sachdeva, NHDC
2. Shri S.Sanyal, NHDC
3. Shri Anurag Seth, NHDC
4. Shri M.Shivkumar, NHDC
5. Shri Ashish Jain, NHDC
6. Shri Ranjan Satapathy, NHDC
7. Shri D.D.Khandelwal, MPPTCL
8. Shri S.K.Khiani, NVDD, GoMP

ORDER  
(DATE OF HEARING: 12.5.2009)

This petition has been filed by the petitioner, Narmada Hydroelectric Development Corporation Ltd. (NHDC) for approval of revised fixed charges on account of additional capitalization for the period 25.8.2005 to 31.3.2008 in respect of Indira



Sagar Hydroelectric Project (8 x 125 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:

- (a) *The Hon'ble Commission may re-determine and revise the final fixed charges on account of additional capitalization of Indira Sagar Project for the period 25-08-2005 to 31-3-2009, as per para-24.*
- (b) *NHDC may be allowed by the Hon'ble Commission to raise arrear bill for the recovery of revised final fixed charges as per para-24 for the period from 25-8-2005 onwards along with interest @ 6% p.a. on difference amount as per CERC Regulations.*
- (c) *NHDC may be allowed to bill the beneficiaries for consequent increase in levies, taxes, duties, cess etc. (Including MAT).*
- (d) *Consequent increase in CI Incentive for the period from 25-08-2005 onward may be allowed to recover from the beneficiary*
- (e) *The Hon'ble Commission may take the cognizance of the facts mentioned in para-11 & 12 and may allow in future, the future additional capitalization beyond 31-3-2008. The now anticipated project completion cost is Rs.4411.97 Cr., which would require further additional capitalization of Rs.203.63 cr. vis-à-vis re-determination of fixed charges, as per applicable the CERC Regulations, the same may also be allowed on being filed in due course of time*
- (f) *The Hon'ble Commission may take the cognizance of para-22 and pass such order as deemed fit & proper and to allow NHDC for raising the bill on NVDD, GoMP to recover O&M Expenses pertaining to Irrigation component. Similarly, NHDC may also be allowed for raising the bills on SSNNL through NVDD, GoMP to recover O&M Expenses pertaining to SSP component. The Hon'ble Commission may also direct GoMP to act as a Nodal Agency between NHDC and GoG/SSNNL for this purpose.*
- (g) *The other terms & conditions pronounced in the final tariff order dated 6-2-2007 of Hon'ble Commission in Petition No.119/2005 may be allowed to remain applicable.*
- (h) *Pass such order and further order/orders, as are deemed fit and proper in the facts and circumstances of the case.*

2. The generating station comprises of three units, of which Unit I comprises dam and appurtenant works, Unit II comprises irrigation system and Unit III is dedicated to power generation. Unit I is common to both power generation and irrigation system. Unit III comprises power station with installation of 8 machines each of 125 MW installed



capacity, associated water conductor system and switchyard. The tariff for the generating station for the period from 1.4.2004 to 31.3.2009 was approved by the Commission by order dated 6.2.2007 in Petition No.119/2005 based on the capital cost of Rs.294991.98 lakh as on 24.8.2005. The annual fixed charges approved are as under:

Particulars	(Rs in lakh)									
	1.4.2004 to 26.7.2004	27.7.2004 to 31.10.2004	01.11.2004 to 06.1.2005	07.1.2005 to 29.3.2005	30.3.2005 to 31.3.2005	01.4.2005 to 24.8.2005	25.8.2005 to 31.3.2006	2006-07	2007-08	2008-09
Depreciation	955.70	926.45	770.20	1118.37	30.81	2245.96	3824.22	6373.69	6373.69	6373.68
Interest on loan	1903.52	1895.61	1651.02	2463.20	67.62	4936.25	8296.68	13436.50	12642.27	11542.94
Return on Equity	2387.53	2309.25	1920.04	2785.88	76.48	5562.90	9463.12	15805.20	15805.20	15805.20
Advance Against Depreciation	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1553.40	7951.29
Interest on Working Capital	154.20	150.98	126.84	185.22	5.09	371.27	629.27	1055.63	1092.87	1210.14
O & M Expenses	682.82	648.51	537.54	779.94	21.41	1563.01	2654.93	4531.08	4712.32	4900.81
<b>TOTAL</b>	<b>6043.77</b>	<b>5928.81</b>	<b>5005.68</b>	<b>7332.61</b>	<b>201.40</b>	<b>14699.38</b>	<b>24888.22</b>	<b>41202.30</b>	<b>42179.75</b>	<b>47784.08</b>
P1/P	0.7695	0.8585	0.8545	0.8610	0.8728	0.9583	1.0000	1.0000	1.0000	1.0000
<b>Annual Fixed Charges</b>	<b>4650.68</b>	<b>5089.88</b>	<b>4277.36</b>	<b>6313.38</b>	<b>175.79</b>	<b>14086.42</b>	<b>24888.22</b>	<b>41202.30</b>	<b>42179.75</b>	<b>47784.08</b>

3. Reply to the petition has been filed by the respondents.

#### ADDITIONAL CAPITALISATION

4. Regulation 34 of the 2004 regulations provides for considering the additional capital expenditure for tariff purposes 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 works subject to ceiling specified in regulation 33.*

(iv) Liabilities to meet award of arbitration or in compliance of the order or decree of a court, and

(v) On account of change in law.

Provided that original scope of works along with estimates of expenditure shall be submitted along with the application for provisional tariff.

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 of generating station.

(2) Subject to the provision of clause (3) of this regulation, the capital expenditure of the following nature actually incurred after the cut off date may be admitted by the Commission subject to prudence check:

(i) Deferred liabilities relating to works/services within the original scope of work;

(ii) Liabilities to meet award of arbitration or in compliance of the order or decree of a court;

(iii) On account of change in law; and

(iv) Any additional works/service which has become necessary for efficient and successful operation of plant but not included in the original capital cost.

(3) Any expenditure incurred on acquiring minor items/assets like tools and tackles, personal computers, furniture, air-conditioners, voltage stabilizers, refrigerators, coolers, fans, T.V, washing machine, heat-convectors, mattresses, carpets, etc brought after the cut off date shall not be considered for additional capitalization for determination of tariff with effect from 1.4.2004.

**Note**

The list of items is illustrative and not exhaustive.

(4) Impact of additional capitalisation in tariff revision may be considered by the Commission twice in a tariff period, including revision of tariff after the cut off date.

**Note 1**

Any expenditure admitted on account of committed liabilities within the original scope of work and the expenditure deferred on techno-economic grounds but falling within the original scope of work shall be serviced in the normative debt-equity ratio specified in regulation 36.

**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 capital cost, except such items as are listed in Clause (3) of this regulation.

**Note 3**

Any expenditure admitted by the Commission for determination of tariff on account of new works not in the original scope of work shall be serviced in the normative debt-equity ratio specified in regulation 36.

**Note 4**

*Any expenditure admitted on renovation and modernization and life extension shall be serviced on normative debt-equity ratio specified in regulation 36 after writing off the original amount of the replaced assets from the original capital cost."*

5. Before considering the petitioner's claim for additional capitalization, we deal with the issue of maintainability of the petition, raised by the first respondent, MPPTCL. The first respondent pointed out sub-clause (4) of Regulation 34 of the 2004 regulations which provides for revision of tariff by the Commission twice in a tariff period, on account of additional capitalization, including revision of tariff after the cut-off date and submitted that retrospective revision of tariff after expiry of the tariff period cannot be permitted. The first respondent has also submitted that the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2009 are in vogue and the petition which has been filed now should not be considered, as there existed no provision in the 2004 regulations to claim additional capital expenditure during the next tariff period. The first respondent submitted that in terms of the observations of the Hon'ble Supreme Court in its judgment dated 3.3.2009 in C.A No.1110/2007 (UPPCL-v- NTPC & others), the prayer of the petitioner for revision of annual fixed charges should not be considered.

6. In response, the petitioner submitted that it has filed the petition, in terms of the liberty granted by the Commission in para 18 of the order dated 6.2.2007. The petitioner also submitted that the capital expenditure beyond 25.8.2005 was incurred mainly on account of the execution of balance R&R works, as per the order dated 8.9.2006 of the



Hon'ble High Court of Madhya Pradesh, in W.P.No.3022/2005, which had allowed filling of the Indira Sagar Reservoir upto EL 260.0 m, acquisition of properties beyond FRL upto backwater level and compensation to affected families, to meet the deferred liabilities, works deferred for execution etc within the original scope of work. The petitioner further submitted that the additional capital expenditure amounting to Rs.32963 lakh had been incurred after the date of commercial operation upto 31.3.2008 and the tariff has been worked out based on the parameters admitted by the Commission in its order dated 6.2.2007. The petitioner submitted that it filed the petition in terms of sub-clause (4) of clause 34 of the 2004 regulations and prayed that the objections of the first respondent be rejected.

7. The present petition pertains to the approval of the revised fixed charges from 1.4.2004, on account of additional capitalization for the period 25.8.2005 to 31.3.2006, and for the years 2006-07 and 2007-08 in respect of the generating station. As submitted by the petitioner, the Commission in its order dated 6.2.2007 had observed as under:

*"18. The petitioner has submitted that after the date of commercial operation of the generating station, expenditure on the balance left over works is anticipated to be Rs. 31396 lakh. The petitioner may approach the Commission for revision of tariff, if so advised, after the anticipated expenditure is capitalised to be considered under Regulation 34 of the 2004 regulations".*

8. In our view, the argument of the first respondent overlooks the specific provisions of clause (2) of Regulation 34, according to which certain kind of expenditure incurred can be allowed to be capitalized, after the cut-off date. Clause (4) of Regulation 18 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 for the tariff period 2004-09 and in that view, revision of tariff is admissible under the 2004 regulations.

9. In view of the above, the contention of MPPTCL is rejected. 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)		
	25.08.2005 to 31.03.2006	2006-07	2007-08
<b>Additional capitalization as per books of Accounts (A)</b>	<b>6832.01</b>	<b>10568.90</b>	<b>15562.92</b>
<b>Exclusion</b>			
Minor assets (Regulation 34 (3))	0.00	0.00	73.34
Deletion of Minor assets (Regulation 34 (3))	0.00	0.00	0.00
FERV	0.00	0.00	0.00
Assets not in use as on 31 <sup>st</sup> March of the year	0.00	0.00	0.00
Assets transferred to head 'Assets not in use'	0.00	0.00	0.00
Deletion against capital spares capitalized during the years 2006-07 and 2007-08	0.00	0.00	0.00
<b>Total Exclusion (B)</b>	<b>0.00</b>	<b>0.00</b>	<b>73.34</b>
<b>Additional capital expenditure C=(A)-(B)</b>	<b>6832.01</b>	<b>10568.90</b>	<b>15489.57</b>

**Minor assets (Regulation 34(3))**

10. In terms of clause (3) of Regulation 34, the petitioner has excluded an amount of Rs.73.34 lakh for the year 2007-08, against minor assets like furniture and fixtures, computers, printers, air coolers, fax machines, exhaust fans, binoculars, almirahs, etc. This amount of Rs.73.34 lakh includes an amount of Rs.54.31 lakh towards power components and Rs.19.03 lakh towards other components. In view of this, the exclusion of an amount of Rs.54.31 lakh is allowed.

11. The Commission during the hearing on 12.5.2009 directed the petitioner to furnish the detailed categorization and consolidation for each asset under different

clauses of Regulation 34 of the 2004 regulations for which capitalization has been claimed, with proper justification. The petitioner by its affidavit dated 27.5.2009 has submitted details of capitalization of items under different clauses of Regulation 34 of the 2004 regulations. The year-wise and category-wise break-up of the additional expenditure claimed by petitioner is as under:

(Rs in lakh)

Particulars	25.08.2005 to 31.03.2006	2006-07	2007-08
Deferred liabilities –(Regulation 34 (1) (i))	3774.46	1584.24	0.00
Works deferred for execution-(Regulation 34 (1) (ii))	3057.55	8963.56	0.00
Procurement of initial capital spares within the original scope of work – (Regulation 34 (1) (iii))	0.00	21.11	0.00
Deferred liabilities relating to works/services within the original scope of work-(Regulation 34 (2) (i))	0.00	0.00	5772.29
Liabilities to meet award of arbitration or in compliance of order or decree of the court (Regulation 34 (2) (ii))	0.00	0.00	9579.58
Works/services which have become necessary for efficient and successful operation of station. (Regulation 34 (2) (iv))	0.00	0.00	137.71
<b>Total Addition</b>	<b>6832.01</b>	<b>10568.90</b>	<b>15489.57</b>
<b>Deletion claimed on account of de-capitalization</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Additional Capitalization (C=A-B)</b>	<b>6832.01</b>	<b>10568.90</b>	<b>15489.57</b>

12. After examining the asset-wise details and justification for additional capitalization claimed by the petitioner, under various categories and by applying prudence check, the admissibility of additional capitalization is discussed in the subsequent paragraphs.

