

Deferred liabilities (Regulation 34 (1) (i))

13. The petitioner has claimed amounts of Rs.3774.46 lakh during the period from 25.8.2005 to 31.3.2006 and Rs.1584.24 lakh for the year 2006-07 respectively, under this head. The expenditure pertains to payments/adjustments made towards the construction of power house building, drainage system, dams and barrages, switchyard works, water cooled AC package, supply of EOT cranes and assets related to R&R etc, during the period 25.8.2005 to 31.3.2006 and towards consultancy services, power house, dam control room building, furniture and fixtures for residential building, construction of protection wall, guest house, development and renovation of switchyard control room area, CISF quarters, fencing and balance work of dam and barrage, etc, during the year 2006-07. In view of the justification provided by the petitioner, the said amounts are allowed.

Works deferred for execution (Regulation 34 (1) (ii))

14. The petitioner has claimed amounts of Rs.3057.55 lakh during the period 25.8.2005 to 31.3.2006 and Rs.8963.56 lakh for the year 2006-07 respectively, under this head. The expenditure pertains to construction of protection wall, helipad, boundary wall, RCC road, dam control room building, security check post, store building, renovation of CISF quarters, development of switchyard control rooms, erection, testing and commissioning of various generating station equipments, furniture and fixtures, and cost of R&R works etc. The expenditure is justified and capitalization of the amounts is allowed.



Procurement of initial capital spares within the original scope of work – (Regulation 34 (1) (iii))

15. The petitioner has claimed an amount of Rs.21.11 lakh for the year 2006-07 under this head, towards spares like double brake interrupter assembly with PIR, Line trap with suspension accessories and support column assembly. The Commission in its order dated 6.2.2007 in Petition No.119/2005, had already allowed spares amounting to Rs.2500 lakh, under this head. Thus, the total expenditure on initial capital spares, during the year 2006-07, adds up to Rs. 2521.11 lakh after considering the additional expenditure of Rs.21.11 lakh. This amount is within the ceiling norm of 1.5% of the capital cost of Rs.300920.40 lakh (excluding un-discharged liability) as on cut-off date (31.3.2007). The same is in order and hence allowed.

Deferred liabilities relating to works/services within the original scope of work- (Regulation 34 (2) (i))

16. The petitioner has claimed an amount of Rs.5772.29 lakh for the year 2007-08 under this head, towards expenditure on works like power house, architecture, switchyard, security check posts, boundary walls, radial gates, and supply of transformers, erection and earthing system, transfer of central AC system and APFC panels, furniture and fixtures, replacement of GI poles, lighting beautification, and payment of registration fees etc. The expenditure under this head is justified and is allowed to be capitalized.



Liabilities to meet award of arbitration or in compliance of order or decree of the court-(Regulation 34 (2) (ii))

17. The petitioner has claimed an amount of Rs.9579.58 lakh during the year 2007-08 under this head, towards capitalization of R & R works, which was carried out in terms of directions of the Hon'ble High Court of Madhya Pradesh. Hence, capitalization of the amount under this head is allowed.

Works/services which have become necessary for efficient and successful operation of station. (Regulation 34 (2) (iv))

18. The petitioner has claimed an amount of Rs.137.71 lakh during the year 2007-08, under this category. The expenditure pertains to fabrication and erection, construction of site office, security check posts, protection walls, structural sheds, viewing posts, approach roads, diversion of dam gallery seepage water, supply of portable earthing equipments, control panels, submersible pumps, compressors, plasma cutting tools etc, which are necessary for efficient and successful operation of the generating station. The expenditure on minor assets amounting to Rs.1.90 lakh, towards welding machines, UPS, lawners, computer accessories etc, is disallowed. Hence, an amount of Rs.135.81 lakh for the year 2007-08 under this head is allowed.

19. Based on the above discussion, the additional capital expenditure claimed and allowed is summarized as under:



Rs in lakh)

Particulars	25.08.2005 to 31.03.2006		2006-07		2007-08	
	Claimed	Allowed	Claimed	Allowed	Claimed	Allowed
Additional capital expenditure	6832.01	6832.01	10568.90	10568.90	15489.57	15487.67

20. The additional capital expenditure claimed by the petitioner includes expenditure towards Sardar Sarovar Project (SSP), Irrigation and Power components. The additional expenditure on the said components is to be apportioned in terms of the order dated 6.2.2007 in Petition No.119/2005 as under:

Sardar Sarovar Project component	: 17.63% of cost of Unit I
Irrigation component	: 16.75% of (Unit I – SSP component)
Power component in Unit I	: [Unit I – (SSP component + Irrigation component)]
Power component in Unit III	: 100%

21. Based on the above, the apportionment of additional expenditure towards Power component is worked out as under:

	(Rs in lakh)		
	25.08.2005 to 31.03.2006	2006-07	2007-08
Additional capital expenditure allowed			
Unit-I	5532.83	10028.63	15096.45
Unit-III	1299.18	540.27	391.22
Total	6832.01	10568.90	15487.67
Apportionment of Additional capital expenditure			
(a) SSP component (17.63% of Unit I)	975.44	1768.05	2661.51
(b) Irrigation component [16.75% of (Unit I - SSP component)]	763.36	1383.65	2082.85
(c) Power component in Unit I = [Unit I - (SSP component + Irrigation Component)]	3794.03	6876.94	10352.10
(d) Power component in Unit- III	1299.18	540.27	391.22
Additional capital expenditure allowed for Power component (including R&R subvention) [c + d]	5093.21	7417.21	10743.31

22. The additional capital expenditure allowed (without excluding un-discharged liabilities and R&R subvention in the power component) 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	135.81
Sub-Total	6832.01	10568.90	15487.67
Exclusions :			
Minor assets -Regulation 34(3)	0.00	0.00	73.34
Exclusions not allowed	0.00	0.00	0.00
Additional capital expenditure allowed	6832.01	10568.90	15487.67
Additional capital expenditure allowed towards Power component including R&R subvention	5093.21	7417.21	10743.31

R&R Subvention

23. The additional capital expenditure allowed as above, towards power component includes R&R subvention approved by the Govt. of MP. The R&R subvention allowed by

the Govt. of MP is in the nature of grant and as such, the amount is deducted from the additional capital expenditure allowed towards power component as under:

(Rs in lakh)

Particulars	25.08.2005 to 31.03.2006	2006-07	2007-08
Additional capital expenditure allowed towards Power component including R&R sub-vention	5093.21	7417.21	10743.31
R&R sub-vention in power component	191.00	2959.00	3042.00
Additional capital expenditure allowed for Power component, after excluding R&R sub-vention, but before adjustment of Un-discharged liabilities	4902.21	4458.21	7701.31

Un-discharged liabilities

24. The petitioner vide affidavit dated 12.9.2009, has submitted that the following amounts have been included as un-discharged liabilities in its claim for additional capital expenditure towards Power component:

(Rs in lakh)

Particulars	As on 31.03.2006	As on 31.03.2007	As on 31.03.2008
Un-discharged liabilities	3715.00	3432.00	6192.00

25. The above amounts have been deducted from the year during which these have been claimed and adjusted during the year in which the liabilities have been discharged.

26. In view of the above, the additional capital expenditure allowed for the purpose of tariff after excluding the un-discharged liabilities are as under:

(Rs in lakh)

PARTICULARS	25.08.2005 to 31.03.2006	2006-07	2007-08
Additional capitalization allowed (before adjustment on account of un-discharged liabilities)	4902.21	4458.21	7701.31
Un-discharged liabilities at the beginning of the year	0.00	3715.00	3432.00
Un-discharged liabilities as on 31 st March of the financial year	3715.00	3432.00	6192.00
Un-discharged liabilities discharged	(-) 3715.00	283.00	(-) 2760.00
Additional capitalization allowed for the purpose of tariff	1187.21	4741.21	4941.31

Capital Cost

27. As already noted, the Commission had admitted capital cost of Rs.294991.98 lakh as on 24.08.2005 for determining tariff for the period 2004-09.

28. Taking into account the capital cost of the generating station as on 25.8.2005 and the additional capital expenditure approved for the years 2004-05 and 2005-06 as per para 24 above, the capital cost for the period 25.8.2005 to 31.3.2006 and for the years 2006-07, 2007-08 and 2008-09, is worked out as under:

(Rs in lakh)

Particulars	25.08.2005 to 31.3.2006	2006-07	2007-08	2008-09
Opening capital cost as on 1 st April of the financial year	294991.98	296179.19	300920.40	305861.71
Additional capital expenditure for the financial year	1187.21	4741.21	4941.31	0.00
Capital cost as on 31 st March of the financial year	296179.19	300920.40	305861.71	305861.71

Debt-Equity Ratio

29. Regulation 36 of the Tariff Regulations, 2004, provides as follows:

"(1) In case of the existing generating stations, debt-equity ratio considered by the Commission for the period ending 31.3.2004 shall be considered for determination of tariff with effect from 1.4.2004;

Provided that in cases where the tariff for the period ending 31.3.2004 has not been determined by the Commission, debt-equity ratio shall be as may be decided by the Commission

Provided further that in case of the existing generating stations where additional capitalisation has been completed on or after 1.4.2004 and admitted by the Commission under Regulation 34, equity in the additional capitalization to be considered shall be:-

30% of the additional capital expenditure admitted by the Commission, or equity approved by the competent authority in the financial package, for additional capitalization, or actual equity employed, whichever is the least.

Provided further that in case of additional capital expenditure admitted under the second proviso, the Commission may consider equity of more than 30% if the generating company is able to satisfy the Commission that deployment of such equity of more than 30% was in the interest of general public.

(2) In case of the generating stations for which investment approval was accorded prior to 1.4.2004 and which are likely to be declared under commercial operation during the period 1.4.2004 to 31.3.2009, debt and equity in the ratio of 70:30 shall be considered:

Provided that where equity actually employed to finance the project is less than 30%, the actual debt and equity shall be considered for determination of tariff.

Provided further that the Commission may in appropriate cases consider equity higher than 30% for determination of tariff, where the generating company is able to establish to the satisfaction of the Commission that deployment of equity higher than 30% was in the interest of general public."

(3) In case of the generating stations for which investment approval is accorded on or after 1.4.2004, debt and equity in the ratio of 70:30 shall be considered for determination of tariff.

Provided that where equity actually employed is more than 30%, equity in excess of 30% shall be treated as notional loan;

Provided further that where deployment of equity is less than 30%, the actual debt and equity shall be considered for determination of tariff.

(4) The debt and equity amount arrived at in accordance with above clause (1), (2) or (3), as the case may be, shall be used for calculation of interest on loan, return on equity, advance against depreciation and foreign exchange rate variation."

30. The petitioner has furnished the details of financing of the additional capital expenditure as under:



(Rs. in lakh)

Particulars	25.08.2005 to 31.03.2006	2006-07	2007-08
Power component (Rs in lakh)	4902	4458	7757
Internal resources (Rs in lakh)	0.00	2718	6844
Actual equity (%)	0.00	60.97	88.23

31. In conformity with the second proviso to clause (3) of Regulation 36 of the 2004 regulations, the debt-equity ratio of 100:00 for the period 25.08.2005 to 31.3.2006 and 70:30 for the years 2006-07 and 2007-08, has been considered for additional capitalization after adjustment of the un-discharged liability, in terms of sub-clause (a) of clause (1) of Regulation 36 of the 2004 regulations. Accordingly, additional notional equity for the generating station on account of capitalization approved, works out as under:

(Rs. in lakh)

	25.08.2005 to 31.03.2006	2006-07	2007-08	2008-09
Notional Equity	0.00	1422.36	1482.39	0.00

Return on Equity

32. Return on equity is allowed @ 14% on the average normative equity, as under:

(Rs. in lakh)

Particulars	25.08.2005 to 31.03.2006	2006-07	2007-08	2008-09
Opening Equity	112894.30	112894.30	114316.66	115799.06
Addition due to additional capital expenditure	0.00	1422.36	1482.39	0.00
Closing Equity	112894.30	114316.66	115799.06	115799.06
Average Equity	112894.30	113605.48	115057.86	115799.06
Return on Equity	9483.12	15904.77	16108.10	16211.87

Interest on Loan

33. Interest on loan has been worked out as in order dated 6.2.2007 in Petition No. 119/2005. The weighted average rate of interest, as worked out in order dated 6.2.2007 in Petition No. 119/2005 has been considered.

34. Interest on loan has been computed as under:

(Rs. in lakh)

Particulars	25.08.2005 to 31.03.2006	2006-07	2007-08	2008-09
Gross Normative loan	182097.68	183284.89	186603.74	190062.65
Cumulative repayment upto previous year	0.00	3831.91	10282.48	24975.91
Net Loan-opening	182097.68	179452.98	176321.26	165086.74
Repayment during the year	3831.91	6450.56	14693.44	15106.06
Additional loan due to additional capitalisation	1187.21	3318.85	3458.92	0.00
Net loan-closing	179452.98	176321.26	165086.74	149980.68
Average loan	180775.33	177887.12	170704.00	157533.71
Weighted Average Rate of Interest on loan	7.6742%	7.6742%	7.6742%	7.6742%
Interest	8323.84	13651.41	13100.17	12089.45

Depreciation

35. For calculating depreciation, the cumulative depreciation of RS. 6397.89 lakh recovered upto 24.8.2005 and the weighted average rate of depreciation of 2.16% as per order dated 6.2.2007 in Petition No. 119/2005 has been considered.

36. Accordingly, depreciation component of the annual fixed charges has been worked out as under: