

# **Multi Year Tariff Order**

**For**

**Baspa II HEP**

**For**

**Period**

**FY09 to FY11**



**Himachal Pradesh Electricity Regulatory  
Commission**

**March 30, 2009**

**BEFORE THE HIMACHAL PRADESH ELECTRICITY REGULATORY  
COMMISSION AT SHIMLA**

CASE NO.256 /2007

CORAM

YOGESH KHANNA

IN THE MATTER OF:

Determination of tariff for sale of power from Baspa II, 300 MW Hydro Power Plant located on River Baspa (tributary of River Satluj), District Kinnaur (H.P.) to Himachal Pradesh State Electricity Board.

AND

IN THE MATTER OF:

Jaiprakash Hydro Power Limited

APPLICANT

The Applicant has filed application with the Himachal Pradesh Electricity Regulatory Commission for determination of tariff for sale of power from Baspa II, 300 MW Hydro Power Plant located on River Baspa (tributary of River Satluj), District Kinnaur (H.P.) to Himachal Pradesh State Electricity Board for the Control Period (FY09 to FY11).

The Himachal Pradesh Electricity Regulatory Commission after considering the petition filed by the Applicant, the facts presented by the Applicant in its various filings, objections received by the Commission from the Himachal Pradesh State Electricity Board, the issues raised in the hearings at Shimla, the responses of the Applicant to the objections and documents available on record and in exercise of the powers vested in it under section 62 and section 86 of the Electricity Act, 2003 (Act No. 36 of 2003) and read with HPERC (Terms & Conditions for Determination of Hydro Generation Tariffs) Regulations, 2007 passes the following order determining tariffs for 300 MW Baspa II Hydro Power Plant for the period FY09 to FY11.

Shimla

Dated: March 30, 2009

Sd/-

(Yogesh Khanna)

Chairman

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**A1: BACKGROUND**

- 1.1 Jaiprakash Hydro Power Limited (hereinafter referred to as the “Petitioner” or “Applicant” or “JHPL”), JUIT Complex, Wagnaghat, P.O. Dumehar Bani, Kandaghat – 173215, Distt. Solan, H.P. is a “generating company” falling within the definition of section 2 (28) of the Electricity Act, 2003 (hereinafter referred to as the “Act”). The applicant has filed an application with the Himachal Pradesh Electricity Regulatory Commission (hereinafter referred to as the “Commission”) under sections 62 and 86 of the Act, read with HPERC (Terms and Conditions for Determination of Hydro Generation Tariff) Regulations, 2007 seeking determination of tariff for sale of electricity generated at Baspa II 300 MW hydro power plant on River Baspa, a tributary of River Satluj, District Kinnaur, Himachal Pradesh (hereinafter referred to as “the Project” or “Baspa II”) to the Himachal Pradesh State Electricity Board (hereinafter referred to as the “Board”), a “deemed licensee” under the Act, engaged in generation, transmission and distribution of electricity in the State of Himachal Pradesh in pursuance of the PPA dated 4 June 1997.
- 1.2 This Order relates to the true up of the Applicant’s performance in previous years (FY04 - FY08) and determination of tariff for sale of electricity from Baspa II 300 MW hydro power plant to the Board for each year of the Control Period (FY09 – FY11) under the Multi Year Tariff regime .
- 1.3 The Commission has reviewed the operational and financial performance of the Applicant for previous years and has finalised this Order based on the Power Purchase Agreement (PPA) between the M/s JHPL and the Board, review and analysis of the past records, information filed by the Applicant in the petition and other submissions in response to queries raised by the Commission and views expressed by stakeholders.

**Historical background of the Project**

- 1.4 A Memorandum of Understanding (MoU) was signed between the Government of Himachal Pradesh (GoHP) and Jaiprakash Industries Limited (JIL) on November 23, 1991 for development of the run-of-the-river 300 MW Baspa II hydro project.
- 1.5 As per the MoU, JIL was to undertake preparation and submission of Detailed Project Report (DPR) for approval of GoHP. The DPR was submitted by JIL for approval of GoHP in 1992 at an estimated capital cost of Rs. 883 Cr.
- 1.6 Subsequently, an Implementation Agreement (IA) was signed on October 1, 1992 between GoHP and JIL for development of the project based on the submitted DPR. The IA envisaged incorporation of a wholly owned subsidiary company, namely, Jaiprakash Hydro Power Limited (JHPL) to build, own, operate and maintain the project and to undertake obligations of JIL contained in this agreement. The IA stipulated the project work to start within one year of signing of the IA and commissioning of the project within a maximum period of seven years and in any case not later than nine years.
- 1.7 JIL raised Rs. 175 Cr equity funds for the project by making a rights issue of its



equity shares to the existing shareholders of JIL in May, 1993 and commenced the infrastructural work at the project site in 1993.

- 1.8 The Techno Economic Clearance (TEC) for the project was accorded by the Central Electricity Authority (CEA) on April 29, 1994 at an estimated cost of Rs. 949.23 Cr at December, 1993 price level.
- 1.9 The Power Purchase Agreement (PPA) between the Board and JHPL detailing the terms and conditions for sale of power was signed on June 4, 1997. The tenure of the PPA unless earlier terminated pursuant to this agreement was forty years after the date of commercial operation of the project extendable for a further period of twenty years. The PPA specified the scheduled Commercial Operation Date (COD) of the project to be 50 months from the date of financial closure. Further, the financial closure of the project was to be achieved within 12 months from the date of signing of the PPA.
- 1.10 The basic cost approved in the PPA for the project stood at Rs. 702.77 Cr at December, 1993 price level. Further, the capital cost as per the financial package approved by the CEA was to form the basis for determination of tariff.
- 1.11 As per Section (1) of Article 8 of the PPA, the energy generated by the Project was to be delivered by JHPL to the Board at the interconnection point at Jhakri. 88% of the said energy was to be purchased by the Board for consideration as set forth in the PPA and the balance 12% was to be given free of cost to the State Government.
- 1.12 The financial tie-up of the project was completed in March, 1995. Subsequently, due to regulatory changes in financing of power projects i.e. achieving financial closure, entire equity component to be tied upfront, appointment of Lender's Engineers, Concurrent Audit etc., the project faced difficulties in obtaining disbursements from the Lenders and JHPL had to tie-up the balance equity upfront to achieve financial closure to facilitate disbursement by the financial institutions. The balance equity component of Rs.135 Cr was subscribed to by ICICI.
- 1.13 As per the Applicant, the permission to create mortgage on the land for the project was received during 1998 to 2001, leading to considerable difficulties in obtaining disbursements from the lenders. After execution of the PPA, the loan disbursements to the project commenced in June, 1997.
- 1.14 JHPL in January, 1999 submitted the first financial package for approval of the Board and the CEA. The CEA vide its letters dated 23.06.1999 and 13.10.1999 requested JHPL to obtain approval of the State Government for the completed cost as well as the financial package. This was followed by protracted negotiations between the applicant and the Board.
- 1.15 The project suffered a setback due to unprecedented flash floods in the river Sutluj in July 2000, downstream of the project site, which washed away a number of bridges on the river Sutluj and damaged the roads causing disruption of communication links with the project.
- 1.16 The flash flood was treated as a force majeure condition under the provisions of the

PPA. The project execution and commissioning got delayed by 15 months as a result of the above force majeure event. Consequently the scheduled COD was revised to July, 2003.

- 1.17 Negotiation over reasonableness of capital cost, interest rates on Rupee loans and Foreign Currency loans, financing pattern, period of loans, equity raising charges, phasing of expenditure etc. between the Applicant and the Board were held from January, 1999 to November, 2002. In the absence of any consensus being reached between the two parties, the Applicant vide its letter dated October 8, 2002 offered to sell the power generated from the project to other State Electricity Boards, offering in lieu, higher proportion of free power to the State Government. The proposition was rejected by GoHP.
- 1.18 The Board subsequently asked the Applicant to make its best offer of the capital cost of the project for the purposes of tariff in November, 2002. According to the Applicant, it made an offer of a completion cost of Rs. 1550 Cr under immense pressure from the lenders to the project to finalize a tariff for sale of power to the Board. The offer was accepted by GoHP vide letter dated December 4, 2002 for the purpose of determination of tariff under the PPA and further recommended to CEA for approval of the negotiated financial package of Rs. 1550 Cr or actual, whichever is less for the purposes of payment of tariff. The Applicant has further submitted that the lenders to the project had, at that time, estimated a completion cost of Rs. 1612 Cr, while the actual project cost as per the audited balance sheet of the Applicant as on commissioning date of the project of June 8, 2003 stands at Rs. 1667.34 Cr.
- 1.19 The Applicant and the Board signed a Supplementary Agreement (SA) incorporating the negotiated capital cost of Rs. 1550 Cr approved by GoHP, vide its letter dated December 4, 2002. The agreement was signed without obtaining prior approval of the Commission as required under section 22 (1) (c) of the Electricity Regulatory Commissions Act, 1998, read with the relevant regulations issued by the Commission.

#### **Interventions of the Commission**

- 1.20 The Commission in a suo moto case no. 25/2003 questioned the validity of the SA signed on February 28, 2003 between the Applicant and the Board and considered it in contravention to the existing laws in this regard.
- 1.21 The Commission's Order dated June 5, 2003 stayed the SA by observing that the issues involved were of great public importance and vital consumer interest and could cause irreparable damage and loss to the public and consumer interests, if the Supplementary Agreement is allowed to operate until the matter has been finally disposed of by the Commission.
- 1.22 The Commission passed an interim Order dated July 19, 2003 vacating the stay subject to filing of the financial package (as approved by the CEA) by JHPL within 15 days of its approval, for Order of the Commission. The Commission also directed JHPL to explore possibilities to reduce the interest rate through suitable debt restructuring of the project loans. The Order also directed the Board to pay the Applicant, meanwhile, as per the revenue realized by the Board from the sale of

power from the project.

- 1.23 On the basis of the submissions made during the course of hearings in this case, by the consumer's representative and amicus curiae, the Commission passed an Order dated September 6, 2003 declaring the SA void ab initio, non est, inoperative and in contravention of the provisions of the Electricity Regulatory Commissions Act, 1998. The Order refuted the contention of the Board that the tariff had already been settled and agreed upon in the PPA. The Commission took a view that the capital cost of the project forms the basis for determining the tariff in accordance with the terms and conditions already settled in the PPA. The capital cost of the project is subject to the check of prudence and due diligence on the part of the Commission. Further the Commission directed the Board to continue to pay to the Applicant the revenue realized from sale of energy from Baspa II project, as per interim Order dated 19.07.2003.
- 1.24 On mutual acceptance by the parties i.e. the Applicant and the Board, the Commission vide its Order dated January 3, 2004 directed the Board to pay to the applicant the amount calculated as the average revenue realized per unit of Rs. 2.31 paise per unit having been mutually settled, until final determination of tariff by the Commission.
- 1.25 The Commission vide its interim Order dated November 5, 2005 expressed concern for the inordinate delay in approval of the financial package by CEA and directed that JHPL should file the tariff application as per Section 64 of the Act read with the HPERC (Terms and Conditions of Determination of Tariff) Regulations, 2004, the HPERC (Revenue and Tariff Filing) Regulations, 2005 and the HPERC (Conduct of Business) Regulations, 2005.
- 1.26 In pursuance of the above directions of the Commission, JHPL on November 21, 2005 submitted the application to the Commission for determination of tariff for sale of power from Baspa II to the Board.
- 1.27 The Commission after hearing the Applicant, interveners, consumer groups and the Board issued the detailed Tariff Order on 24 February, 2007 determining the Capital Cost of the Baspa II as Rs. 1533.96 Cr and also determined the tariff for the period FY04 to FY08.
- 1.28 The Applicant and the Board under Section 94(1)(f) of the Electricity Act, 2003 read with Regulation 63 of HPERC (Conduct of Business) Regulations, 2005 filed review application seeking review of the Commission's Order dated 24 February, 2007.
- 1.29 The Commission issued an Order on the review application on 7 February 2008 in which the Commission concluded that the Order dated 24 February, 2007 did not contain any other mistake or error apparent on the face of the record apart from the one point, where the review application of HPSEB was admitted to the limited extent under Section 94(1)(f) of the Electricity Act, 2003 read with Section 114 and Order 47 of the CPC. The Commission also stated that it would review the tariffs applicable based on the changes required in the O&M charges and other expenditure which would be impacted by such change, in the subsequent tariff determination process for the Project.

### **Multi Year Tariff Framework**

- 1.30 The Commission decided to adopt Multi Year Tariff (MYT) principles for determination of tariffs, in line with the provisions in Section 61 of the Act.
- 1.31 The Commission designed the MYT framework in the State and set long term performance targets for the utilities engaged in generation, transmission and distribution in the Himachal Pradesh. Simultaneously, the Commission segregated costs into two categories; first which are expected to be easily controlled by the entity and a second category over which an entity does not have significant control. The Commission would set targets for each year of the Control Period for the items or parameters that are deemed to be “controllable”.
- 1.32 Any financial losses arising out of the under-performance with respect to the targets specified by the Commission for the “controllable” parameters shall be to the Generating Company’s account. The MYT framework is also designed to provide predictability and reduce regulatory risk.

### **Multi Year Tariff Regulations**

- 1.33 The Commission issued a Concept Paper and Draft MYT Regulations for Generation, Transmission and Distribution businesses to all concerned stakeholders, including the Government, the Board, and consumers. These documents detailed the principles, approach and methodology to be adopted for the determination of tariff for various entities under the MYT framework and also highlighted the various issues which were to be discussed and finalized for successful implementation of the MYT principles.
- 1.34 These draft regulations and MYT Concept Paper were issued on 28 June, 2007 and a notice for inviting comments and suggestions from public and stakeholders was published in leading newspapers on 2 July, 2007.
- 1.35 The Commission issued final regulations vide notification dated 10 October, 2007 specifying terms and conditions for determination of tariff for generation, transmission and distribution of electricity under the Multi Year Tariff (MYT) framework.

### **Filing of Petition for MYT Control Period (FY09 – FY11)**

#### **Procedural Background**

- 1.36 The Petitioner filed an application on 30 November 2007 with the Commission for determination of tariff for sale of power from 300 MW Baspa II hydro power plant located on River Baspa (tributary of River Satluj), District Kinnaur (H.P.) to the Board for each year of the Control Period (FY09 – FY11) under the Himachal Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Hydro Generation Tariff) Regulations, 2007.

- 1.37 Additional information/ clarifications and details, based on the queries of the Commission and validation session, were submitted by the Petitioner from time to time during the course of the disposal of the Petition.
- 1.38 PricewaterhouseCoopers were appointed Consultants to assist the Commission in the determination of tariff for sale of power from Baspa II hydro power plant to the Board.

### **Admission Hearing**

- 1.39 The Commission held the admissibility hearing on 15 March 2008 and admitted the petition. The Commission directed the Petitioner on 16 May 2008 to submit details regarding first set of deficiencies discovered during preliminary scrutiny of the Petition, which were submitted by the Petitioner on 18 August 2008.

### **Public Hearings**

- 1.40 The Commission issued an interim order to the Petitioner, after admission hearing on 15 March 2008, for publishing a disclosure of the salient features of the petition for the information of all the stakeholders in the State of Himachal Pradesh. Accordingly the Petitioner published the salient features of the petition in the following newspapers:
- (a) The Tribune (Himachal edition) on 27 March, 2008
  - (b) Divya Himachal ( Shimla & Dharamsala editions) on 27 March, 2008
  - (c) Divya Himachal (Chandigarh edition) on 31 March, 2008
  - (d) The Hindustan Times(Chandigarh edition) on 31 March, 2008
- 1.41 The Commission invited suggestions and objections from the public on the tariff petition filed by the Petitioner in accordance with Section 64(3) of the Act subsequent of the publication of the initial disclosure by the Petitioner. The public notice inviting objections/ suggestions was published on 28 and 29 March, 2008 in the following newspapers:
- (a) The Tribune (Chandigarh edition)
  - (b) Amar Ujala (Chandigarh edition)
- 1.42 The interested parties/ stakeholders were asked to file their objections and suggestions on the Petition by 19 April 2008. The Commission received no objections from any of the stakeholders by the stipulated date i.e. 19 April 2008 which was further extended to 17 May 2008.
- 1.43 The Commission sought clarifications and documents from the Petitioner on the petition submitted vide its letter dated 16 May, 2008 and asked them to submit the

same by 31 May 2008, which was extended to 30 June 2008. The Petitioner failed to comply and submit the required clarifications and documents as asked and the Commission had to issue a show-cause notice to the Petitioner and the matter was listed for hearing on 23 August, 2008. The Petitioner in the intervening period submitted all the clarifications and documents and pleaded for withdrawal of the show-cause notice. The Commission after hearing the Petitioner decided vide interim order dated 23 August, 2008 to discharge the notice and also gave a final opportunity to the principal stakeholder i.e. the Board to file their objections to the petition, if any, by 10 September, 2008. The Board finally filed the objections to the petition on 15 September 2008.

- 1.44 Public hearing was held on 20 September 2008 at the Commission's Court Room in Shimla. The Petitioner made a presentation on its petition and thereafter requested more time to file reply to the objections raised by the Board. No other person present in the public hearing except the Board raised any objection to the tariff proposal for Baspa II.
- 1.45 The Commission passed an interim order on 20 September 2008, granting 15 days time to Petitioner till 6 October 2008, to file its replies to the objections filed by the Board and directed the Board to file rejoinder by 20 October, 2008 and listed the case for hearing on 25 October 2008.
- 1.46 On 17 September 2008, the Board had filed the report of the Committee constituted to determine the force majeure events resulting in outage of Baspa Power House from 19 January, 2006 to 2 May, 2006. The Committee in its report concluded that the events of rock fall were indeed in the nature of force majeure and out of control of the project authorities. However, the Committee did not determine the cost attributable to the force majeure which should be made part of the capital cost of the project. The Petitioner also mentioned that there are two other events which need to be considered by the Committee. The Commission, vide its interim order dated 20 September, 2008 directed the Board to ensure that the Force Majeure Committee constituted as per the PPA shall submit its report by 31 December 2008 and also the cost of completion so that the issue regarding the capital cost is settled.
- 1.47 The public hearing scheduled to be held on 25 October 2008 was rescheduled for 1 November, 2008. The Board made a request for extension of time for filing its rejoinder to the Petitioner's replies submitted against the objections raised by the Board on 15 September, 2008. The Commission through its interim order dated 1 November, 2008 granted 6 weeks time to the Board to file its rejoinder and listed the case for hearing on 20 December, 2008. The Board filed its rejoinder on 8 December, 2008.
- 1.48 The hearing on 20 December 2008 was adjourned to 3 January, 2009. A technical validation session between Commission and the Petitioner was scheduled for 7 and 8 January 2009, which was postponed and held on 22 and 23 January 2009.
- 1.49 The hearing scheduled for 3 January 2009, was further postponed to 7 February, 2009. During the hearing on 7 February 2009, the Commission took on record the submissions made by the Petitioner during the technical validation session and

reserved the order.

- 1.50 The issues and concerns voiced by Board during the hearings and the various submissions by the Petitioner have been carefully examined by the Commission. The major issues raised by the Board in their written submission as well as those raised during the public hearing and the responses received from the Petitioner, have been summarized in Chapter 3 of this Order.

**Interaction with the Petitioner**

- 1.51 Since the submission of the petition by the Petitioner, there have been a series of interactions between the Petitioner and the Commission, both written and oral, wherein the Commission sought additional information/ clarification and justifications on various issues, critical for the analysis of the petition.

- 1.52 The submissions made by the Petitioner, to the clarifications/ information sought by the Commission from time to time, as detailed hereunder, have been taken on record:

- (a) M.A. No. 179 of 2008 - dated 18 August 2008
- (b) M.A. No. 213 of 2008 - dated 4 October 2008
- (c) M.A. No. 214 of 2008 - dated 4 October 2008
- (d) M.A. No. 215 of 2008 - dated 7 October 2008
- (e) M.A. No. 219 of 2008 - dated 21 October 2008
- (f) M.A. No. 247 of 2008 - dated 25 November 2008
- (g) M.A. No. 276 of 2008 - dated 18 December 2008
- (h) M.A. No. 02 of 2009 - dated 20 January 2009
- (i) M.A. No 07 of 2009 - dated 4 February 2009
- (j) M.A. No 16 of 2009 - dated 26 February 2009
- (k) M.A. No 45 of 2009 - dated 16 March 2009

**A2: SUMMARY OF THE TARIFF PETITION FOR THE CONTROL PERIOD**

- 2.1 This section summarizes the petition filed by the Petitioner on 30 November 2007 for determination of the tariff for sale of power from the Baspa II, 300 MW Hydro Power Plant located on River Baspa, District Kinnaur (H.P.) for the Control Period (FY09 to FY11). Any subsequent filing and/or submission of additional information to the Petition have been dealt with in Chapters A4 and A5 of the order.
- 2.2 It would be appropriate to point out here that the petition filed by JHPL to the Commission was not supported by any written rationale for projecting the various cost components. The assumptions made by JHPL have not been annexed/ clarified in the tariff petition and hence the Commission has analysed and decided on the submission based on its understanding and keeping in view the interests of all the stakeholders.

**Details of 300 MW Baspa II HEP**

- 2.3 The Baspa II hydro electric project is a 300 MW plant with three 100 MW units and was commissioned by JHPL in FY04. It is a diurnal peaking plant with 4 hours of peaking supported by diurnal pondage. The power house is underground with static excitation. The Government of Himachal Pradesh receives 12% of energy generated as free energy. The details of the plant submitted by the Petitioner are as given below:

**Table 1: JHPL's 300 MW Baspa II HEP - Details**

<b>Particulars</b>	<b>Details</b>
Name of the Company	Jaiprakash Hydro Power Limited
Name of the Station	Baspa II H. E. Project
Installed Capacity (MW)	3* 100 = 300
Free power to home state	12%
Date of Commercial Operation	
Unit-1	24 May 2003
Unit-2	29 May 2003
Unit-3	8 June 2003
Type of Station	
Surface/underground	Underground
Purely ROR/ Pondage/Storage	Diurnal Pondage
Peaking/non-peaking	Diurnal Peaking
No. of hours of peaking	4
Overload capacity (MW) & period	-
Type of excitation	Static excitation
Design Energy	1213.18 MU
Transformation Losses (as per PPA)	0.50%
Auxiliary Losses	0.50% Check
Transmission Losses	0.60% Check



**Business Plan**

2.4 JHPL has submitted its Business Plan for the period FY09 to FY11 along with the MYT tariff petition. The Business Plan is not detailed and summarizes the Generation, Plant Availability and the Capital Expenditure planned for the Control Period.

2.5 As per the Generation Plan, Baspa HEP is projected to generate 1050.06 MU of primary energy and 70 MU of secondary energy during each year of the Control Period. The plant is projected to maintain an availability of 98% as against normative availability of 90% during the Control Period. The year wise generation of energy and plant availability is shown in table below:

**Table 2: JHPL Proposed Business Plan for FY09 to FY11 – Generation of Energy**

Particulars	FY08	FY09	FY10	FY11
	Estimated	Projected	Projected	Projected
<b>Generation of Energy (MU)</b>				
Primary Energy	1050.06	1050.06	1050.06	1050.06
Secondary Energy	70.00	70.00	70.00	70.00
<b>Total Energy</b>	<b>1120.06</b>	<b>1120.06</b>	<b>1120.06</b>	<b>1120.06</b>
<b>Plant Availability (%)</b>				
Normative	90%	90%	90%	90%
Projected	98%	98%	98%	98%

2.6 The Petitioner has submitted in its business plan that it has incurred/ incurring a capital expenditure of Rs 157.43 Cr during the period of FY06 to FY09. The broad head of expenditure are detailed as given in table below. JHPL has submitted in its filing that it shall approach the Commission for approval of the capital expenditure separately.

**Table 3: JHPL Business Plan for FY09 to FY11 – Capital Expenditure**

Expenditure	FY06	FY07	FY08	FY09	Total
Protection Works of Barrage (Net of Insurance claim of Rs 14.07 Cr)	66.72	-	-		<b>66.72</b>
Restoration of Pothead Yard (Net of Insurance claim of Rs 15.83 Cr)	-	2.43	-	-	<b>2.43</b>
Protection of Pothead Yard	-	-	75.25	-	<b>75.25</b>
Additional Compensation Paid for Land acquired for the project	-	-	9.03	-	<b>9.03</b>
Cost of Runner	-	-	-	4.00	<b>4.00</b>
<b>Total Expenditure Incurred/ Incurring</b>	<b>66.72</b>	<b>2.43</b>	<b>84.28</b>	<b>4.00</b>	<b>157.43</b>

**Assumptions**

- 2.7 The Petitioner has submitted its tariff petition based on inputs drawn from the Commission's tariff order for Baspa dated 24 February, 2007 and certain assumptions which are as detailed below.

**Capital Cost**

- 2.8 The Petitioner has considered the capital cost of the project at Rs 1533.96 Cr and means of finance as determined by the Commission in its previous tariff order for Baspa.

**Table 4: Capital Cost and Means of Finance**

<b>Particulars</b>	<b>Rs Cr</b>
Capital Cost of Project	1533.96
<b>Means of Finance</b>	
Equity	460.19
Debt	1073.77
Foreign Currency Loan	203.45
Rupee Term Loan	870.32
<b>Total</b>	<b>1533.96</b>

**Interest on Loans**

- 2.9 The Petitioner has considered the interest on loans as per the applicable rate of interest of respective lenders. The weighted average rate of interest on rupee loans and foreign currency loans computed by JHPL are as below:

**Table 5: Weighted Average Rate of Interest**

<b>Particulars</b>	<b>FY09</b>	<b>FY10</b>	<b>FY11</b>
Rupee Term Loans	12.19%	12.38%	12.38%
Foreign Currency Loans	7.74%	7.74%	7.74%
<b>Weighted Average Rate of Interest</b>	<b>11.51%</b>	<b>11.68%</b>	<b>11.68%</b>

- 2.10 The interest charges for the Rupee Term Loans (RTL) and Foreign Currency Loans (FCL) have been calculated as per the applicable interest rates charged by the lenders on the respective loan outstanding amounts. The detailed calculation of the projected interest charges for the Control Period is tabulated in Table 6 and Table 7 below:

**Table 6: Interest Charges on Indian Rupee and Foreign Currency Loans for the Control Period (Rs Cr)**

<b>Sl No</b>	<b>Loans</b>	<b>FY09</b>	<b>FY10</b>	<b>FY11</b>
<b>1</b>	<b>Total Rupee Term Loan</b>			
	Gross loan - Opening	985.16	985.16	985.16

**MULTI YEAR TARIFF ORDER (FY09-FY11)**

SI No	Loans	FY09	FY10	FY11
	Cumulative repayments of Loans upto previous year	209.50	312.87	416.25
	Net loan - Opening	775.66	672.29	568.91
	Add: Drawal(s) during the Year	0.00	0.00	0.00
	Less: Repayment (s) of Loans during the year	103.37	103.37	95.84
	Net loan - Closing	672.29	568.91	473.07
	Average Net Loan	723.97	620.60	520.99
	Total Interest	88.25	76.83	64.41
	<b>Weighted average Rate of Interest</b>	<b>12.19%</b>	<b>12.38%</b>	<b>12.36%</b>
<b>2</b>	<b>Total Foreign Currency Loan</b>			
	Gross loan - Opening	203.51	203.51	203.51
	Cumulative repayments of Loans upto previous year	98.78	113.43	128.08
	Net loan - Opening	104.73	90.08	75.43
	Add: Drawal(s) during the Year	0.00	0.00	0.00
	Less: Repayment (s) of Loans during the year	14.65	14.65	14.65
	Net loan - Closing	90.08	75.43	60.78
	Average Net Loan	97.41	82.76	68.11
	Total Interest	7.55	6.41	5.27
	<b>Weighted average Rate of Interest</b>	<b>7.74%</b>	<b>7.74%</b>	<b>7.74%</b>
<b>3</b>	<b>Total Loan (RTL+FCL)</b>			
	Gross loan - Opening	1188.67	1188.67	1188.67
	Cumulative repayments of Loans upto previous year	308.28	426.30	544.32
	Net loan - Opening	880.39	762.37	644.35
	Add: Drawal(s) during the Year	0.00	0.00	0.00
	Less: Repayment (s) of Loans during the year	118.02	118.02	110.49
	Net loan - Closing	762.37	644.35	533.85
	Average Net Loan	821.38	703.36	589.10
	Interest on loan	88.25	76.83	64.41
	Interest on loan (FCL)	7.55	6.41	5.27
	Total Interest	95.80	83.24	69.68
	<b>Weighted average Rate of Interest</b>	<b>11.66%</b>	<b>11.84%</b>	<b>11.83%</b>

**Table 7: Interest Charges Loan for the Control Period**

SI No	Loans	FY09	FY10	FY11
<b>A</b>	<b>Rupee Term Loans</b>			
<b>1</b>	<b>IFCI NCDs</b>			
	Gross loan - Opening	0.00	0.00	0.00
	Cumulative repayments of Loans upto previous year	0.00	0.00	0.00
	Net loan - Opening	0.00	0.00	0.00

**MULTI YEAR TARIFF ORDER (FY09-FY11)**

<b>SI No</b>	<b>Loans</b>	<b>FY09</b>	<b>FY10</b>	<b>FY11</b>
	Add: Drawal(s)during the Year	0.00	0.00	0.00
	Less: Repayment(s) of Loans during the year (12.08.04)	0.00	0.00	0.00
	Net loan - Closing	0.00	0.00	0.00
	Average Net Loan	0.00	0.00	0.00
	Rate of Interest on Loan	0.00 %	0.00 %	0.00 %
	<b>Interest on loan</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>2</b>	<b>UTI Bank NCDs</b>			
	Gross loan - Opening	174.00	174.00	174.00
	Cumulative repayments of Loans upto previous year	0.00	21.75	43.50
	Net loan - Opening	174.00	152.25	130.50
	Add: Drawal(s) during the Year	0.00	0.00	0.00
	Less: Repayment (s) of Loans during the year	21.75	21.75	21.75
	Net loan - Closing	152.25	130.50	108.75
	Average Net Loan	163.13	141.38	119.63
	Rate of Interest on Loan	10.00%	10.00%	10.00%
	<b>Interest on loan</b>	<b>16.31</b>	<b>14.14</b>	<b>11.96</b>
<b>3</b>	<b>IDBI</b>			
	<b>Gross loan - Opening</b>	74.00	74.00	74.00
	Cumulative repayments of Loans upto previous year	20.18	26.91	33.64
	Net loan - Opening	53.82	47.09	40.37
	Add: Drawal(s) during the Year	0.00	0.00	0.00
	Less: Repayment (s) of Loans during the year	6.73	6.73	6.73
	Net loan - Closing	47.09	40.37	33.64
	Average Net Loan	50.46	43.73	37.00
	Rate of Interest on Loan	10.50%	10.50%	10.50%
	<b>Interest on loan</b>	<b>5.30</b>	<b>4.59</b>	<b>3.89</b>
<b>4</b>	<b>LIC</b>			
	Gross loan - Opening	15.00	15.00	15.00
	Cumulative repayments of Loans upto previous year	3.75	5.00	6.25
	Net loan - Opening	11.25	10.00	8.75
	Add: Drawal(s) during the Year	0.00	0.00	0.00
	Less: Repayment (s) of Loans during the year	1.25	1.25	1.25
	Net loan - Closing	10.00	8.75	7.50
	Average Net Loan	10.63	9.38	8.13
	Rate of Interest on Loan	10.50%	10.50%	10.50%
	<b>Interest on loan</b>	<b>1.12</b>	<b>0.98</b>	<b>0.85</b>

**MULTI YEAR TARIFF ORDER (FY09-FY11)**

SI No	Loans	FY09	FY10	FY11
<b>5</b>	<b>IIBI</b>			
	Gross loan - Opening	13.66	13.66	13.66
	Cumulative repayments of Loans upto previous year	3.42	4.56	5.70
	Net loan - Opening	10.24	9.10	7.96
	Add: Drawal(s) during the Year	0.00	0.00	0.00
	Less: Repayment (s) of Loans during the year	1.14	1.14	1.14
	Net loan - Closing	9.10	7.96	6.83
	Average Net Loan	9.67	8.53	7.39
	Rate of Interest on Loan	10.50%	10.50%	10.50%
	<b>Interest on loan</b>	<b>1.02</b>	<b>0.90</b>	<b>0.78</b>
<b>6</b>	<b>PFC</b>			
	Gross loan - Opening	165.75	165.75	165.75
	Cumulative repayments of Loans upto previous year	51.00	68.00	85.00
	Net loan - Opening	114.75	97.75	80.75
	Add: Drawal(s) during the Year	0.00	0.00	0.00
	Less: Repayment (s) of Loans during the year	17.00	17.00	17.00
	Net loan - Closing	97.75	80.75	63.75
	Average Net Loan	106.25	89.25	72.25
	Rate of Interest on Loan	16.84%	16.84%	16.84%
	<b>Interest on loan</b>	<b>17.89</b>	<b>15.03</b>	<b>12.17</b>
<b>7</b>	<b>Bank of Baroda</b>			
	Gross loan - Opening	50.00	50.00	50.00
	Cumulative repayments of Loans upto previous year	12.50	16.67	20.83
	Net loan - Opening	37.50	33.33	29.17
	Add: Drawal(s) during the Year	0.00	0.00	0.00
	Less: Repayment (s) of Loans during the year	4.17	4.17	4.17
	Net loan - Closing	33.33	29.17	25.00
	Average Net Loan	35.42	31.25	27.08
	Rate of Interest on Loan	12.33%	13.25%	13.25%
	<b>Interest on loan</b>	<b>4.37</b>	<b>4.14</b>	<b>3.59</b>
<b>8</b>	<b>Punjab National Bank</b>			
	Gross loan - Opening	52.00	52.00	52.00
	Cumulative repayments of Loans upto previous year	14.18	18.91	23.64
	Net loan - Opening	37.82	33.09	28.37
	Add: Drawal(s) during the Year	0.00	0.00	0.00
	Less: Repayment (s) of Loans during the year	4.73	4.73	4.73
	Net loan - Closing	33.09	28.37	23.64

**MULTI YEAR TARIFF ORDER (FY09-FY11)**

<b>SI No</b>	<b>Loans</b>	<b>FY09</b>	<b>FY10</b>	<b>FY11</b>
	Average Net Loan	35.46	30.73	26.00
	Rate of Interest on Loan	10.75%	11.25%	11.25%
	<b>Interest on loan</b>	<b>3.81</b>	<b>3.46</b>	<b>2.93</b>
<b>9</b>	<b>ICICI NDCs</b>			
	Gross loan - Opening	150.00	150.00	150.00
	Cumulative repayments of Loans upto previous year	37.50	50.00	62.50
	Net loan - Opening	112.50	100.00	87.50
	Add: Drawal(s) during the Year	0.00	0.00	0.00
	Less: Repayment (s) of Loans during the year	12.50	12.50	12.50
	Net loan - Closing	100.00	87.50	75.00
	Average Net Loan	106.25	93.75	81.25
	Rate of Interest on Loan	11.79%	12.65%	12.65%
	<b>Interest on loan</b>	<b>12.52</b>	<b>11.86</b>	<b>10.28</b>
<b>10</b>	<b>Indian Overseas Bank</b>			
	<b>Gross loan - Opening</b>	50.00	50.00	50.00
	Cumulative repayments of Loans upto previous year	13.64	18.19	22.73
	Net loan - Opening	36.36	31.82	27.27
	Add: Drawal(s) during the Year	0.00	0.00	0.00
	Less: Repayment (s) of Loans during the year	4.55	4.55	4.55
	Net loan - Closing	31.82	27.27	22.73
	Average Net Loan	34.09	29.54	25.00
	Rate of Interest on Loan	11.50%	11.50%	11.50%
	<b>Interest on loan</b>	<b>3.92</b>	<b>3.40</b>	<b>2.87</b>
<b>11</b>	<b>State Bank Of Travancore</b>			
	Gross loan - Opening	25.00	25.00	25.00
	Cumulative repayments of Loans upto previous year	6.82	9.09	11.37
	Net loan - Opening	18.18	15.91	13.64
	Add: Drawal(s) during the Year	0.00	0.00	0.00
	Less: Repayment (s) of Loans during the year	2.27	2.27	2.27
	Net loan - Closing	15.91	13.64	11.36
	Average Net Loan	17.04	14.77	12.50
	Rate of Interest on Loan	12.50%	12.50%	12.50%
	<b>Interest on loan</b>	<b>2.13</b>	<b>1.85</b>	<b>1.56</b>
<b>12</b>	<b>State Bank of Hyderabad</b>			
	Gross loan - Opening	25.00	25.00	25.00
	Cumulative repayments of Loans upto previous year	6.82	9.09	11.37

**MULTI YEAR TARIFF ORDER (FY09-FY11)**

SI No	Loans	FY09	FY10	FY11
	Net loan - Opening	18.18	15.91	13.64
	Add: Drawal(s) during the Year	0.00	0.00	0.00
	Less: Repayment (s) of Loans during the year	2.27	2.27	2.27
	Net loan - Closing	15.91	13.64	11.36
	Average Net Loan	17.04	14.77	12.50
	Rate of Interest on Loan	12.50%	12.50%	12.50%
	<b>Interest on loan</b>	<b>2.13</b>	<b>1.85</b>	<b>1.56</b>
<b>13</b>	<b>State Bank of Mysore</b>			
	Gross loan - Opening	15.00	15.00	15.00
	Cumulative repayments of Loans upto previous year	4.09	5.45	6.82
	Net loan - Opening	10.91	9.55	8.18
	Add: Drawal(s) during the Year	0.00	0.00	0.00
	Less: Repayment (s) of Loans during the year	1.36	1.36	1.36
	Net loan - Closing	9.55	8.18	6.82
	Average Net Loan	10.23	8.86	7.50
	Rate of Interest on Loan	12.75%	12.75%	12.75%
	<b>Interest on loan</b>	<b>1.30</b>	<b>1.13</b>	<b>0.96</b>
<b>14</b>	<b>State Bank of Indore</b>			
	Gross loan - Opening	25.00	25.00	25.00
	Cumulative repayments of Loans upto previous year	6.82	9.09	11.37
	Net loan - Opening	18.18	15.91	13.64
	Add: Drawal(s) during the Year	0.00	0.00	0.00
	Less: Repayment (s) of Loans during the year	2.27	2.27	2.27
	Net loan - Closing	15.91	13.64	11.36
	Average Net Loan	17.04	14.77	12.50
	Rate of Interest on Loan	11.50%	11.50%	11.50%
	<b>Interest on loan</b>	<b>1.96</b>	<b>1.70</b>	<b>1.44</b>
<b>15</b>	<b>State Bank of Patiala</b>			
	Gross loan - Opening SBOP	25.00	25.00	25.00
	Cumulative repayments of Loans upto previous year	6.82	9.09	11.37
	Net loan - Opening	18.18	15.91	13.64
	Add: Drawal(s) during the Year	0.00	0.00	0.00
	Less: Repayment (s) of Loans during the year	2.27	2.27	2.27
	Net loan - Closing	15.91	13.64	11.36
	Average Net Loan	17.04	14.77	12.50
	Rate of Interest on Loan	13.00%	13.00%	13.00%
	<b>Interest on loan</b>	<b>2.22</b>	<b>1.92</b>	<b>1.62</b>

**MULTI YEAR TARIFF ORDER (FY09-FY11)**

SI No	Loans	FY09	FY10	FY11
<b>16</b>	<b>ICICI Bank RTL</b>			
	Gross loan - Opening	50.00	50.00	50.00
	Cumulative repayments of Loans upto previous year	0.00	6.25	12.50
	Net loan - Opening	50.00	43.75	37.50
	Add: Drawal(s) during the Year	0.00	0.00	0.00
	Less: Repayment (s) of Loans during the year	6.25	6.25	6.25
	Net loan - Closing	43.75	37.50	31.25
	Average Net Loan	46.88	40.63	34.38
	Rate of Interest on Loan	13.75%	13.75%	13.75%
	<b>Interest on loan</b>	<b>6.45</b>	<b>5.59</b>	<b>4.73</b>
<b>17</b>	<b>Yes Bank</b>			
	Gross loan - Opening	25.75	25.75	25.75
	Cumulative repayments of Loans upto previous year	8.32	16.64	24.96
	Net loan - Opening	17.43	9.11	0.79
	Add: Drawal(s) during the Year	0.00	0.00	0.00
	Less: Repayment (s) of Loans during the year	8.32	8.32	0.79
	Net loan - Closing	9.11	0.79	0.00
	Average Net Loan	13.27	4.95	0.39
	Rate of Interest on Loan	11.00%	11.00%	11.00%
	<b>Interest on loan</b>	<b>1.46</b>	<b>0.54</b>	<b>0.04</b>
<b>B</b>	<b>Foreign Currency Loans</b>			
<b>1</b>	<b>Caylon</b>			
	Gross loan - Opening	83.97	83.97	83.97
	Cumulative repayments of Loans upto previous year	39.32	45.27	51.23
	Net loan - Opening	44.65	38.70	32.74
	Add: Drawal(s) during the Year	0.00	0.00	0.00
	Less: Repayment (s) of Loans during the year	5.95	5.95	5.95
	Net loan - Closing	38.70	32.74	26.79
	Average Net Loan	41.67	35.72	29.77
	Rate of Interest on Loan (Inc DPG Comm @ 1.6%)	7.46%	7.46%	7.46%
	<b>Interest on loan</b>	<b>3.11</b>	<b>2.66</b>	<b>2.22</b>
<b>2</b>	<b>Hypo Bank &amp; VA Tech Finance</b>			
	Gross loan - Opening	107.20	107.20	107.20
	Cumulative repayments of Loans upto previous year	53.68	61.33	68.97
	Net loan - Opening	53.52	45.87	38.23
	Add: Drawal(s) during the Year	0.00	0.00	0.00



## MULTI YEAR TARIFF ORDER (FY09-FY11)

SI No	Loans	FY09	FY10	FY11
	Less: Repayment (s) of Loans during the year	7.65	7.65	7.65
	Net loan - Closing	45.87	38.23	30.58
	Average Net Loan	49.70	42.05	34.41
	Rate of Interest on Loan (Inc DPG Comm @1.6%)	7.67%	7.67%	7.67%
	<b>Interest on loan</b>	<b>3.81</b>	<b>3.23</b>	<b>2.64</b>
<b>3</b>	<b>IDBI FCL</b>			
	Gross loan - Opening	12.34	12.34	12.34
	Cumulative repayments of Loans upto previous year	5.78	6.83	7.88
	Net loan - Opening	6.56	5.51	4.46
	Add: Drawal(s) during the Year	0.00	0.00	0.00
	Less: Repayment (s) of Loans during the year	1.05	1.05	1.05
	Net loan - Closing	5.51	4.46	3.41
	Average Net Loan	6.04	4.99	3.94
	Rate of Interest on Loan	10.47%	10.47%	10.47%
	<b>Interest on loan</b>	<b>0.63</b>	<b>0.52</b>	<b>0.41</b>

### Depreciation and Advance Against Depreciation

2.11 The Petitioner has calculated depreciation to be charged during the year at 4.3% of the approved project cost of Rs 1533.96 Cr as per the tariff order dated 24 February, 2007 and in line with the provision 8.6.5 of the PPA dated 04 June 1997. The Advance Against Depreciation has been calculated as per the Commission's tariff order dated 24 February, 2007. The summary of depreciation and advance against depreciation as proposed by the Petitioner for the Control Period is provided in the table below:

**Table 8: Proposed Depreciation & Advance Against Depreciation (Rs Cr)**

Particulars	FY09	FY10	FY11
	Projected	Projected	Projected
1/12th of the Loan(s) approved as per the Tariff Order	89.48	89.48	89.48
Repayment of the Loan(s) as per Tariff Order dated 24.02.2007	89.48	89.48	89.48
Minimum of the Above	89.48	89.48	89.48
<b>Less: Depreciation during the year (A) (4.3% of Rs. 1533.96 Cr as per Tariff Order dated 24.02.2007 and in line with provisions of PPA dated 04.06.1997)</b>	<b>65.96</b>	<b>65.96</b>	<b>65.96</b>
Cumulative Repayment of the Loan(s) as considered for working out Interest on Loan	479.09	568.57	658.05
Less: Cumulative Depreciation (B)	385.01	450.97	516.93
<b>Advance Against Depreciation</b>	<b>23.52</b>	<b>23.52</b>	<b>23.52</b>

**Operations and Maintenance Expenses**

- 2.12 The Petitioner has projected the base O&M expenses at 1.25% of the approved project cost as per the Section 8.7.2 of the PPA and escalated annually at 6% with effect from FY05. The summary of O&M expenses as proposed by the Petitioner for the Control Period is provided in the table below:

**Table 9: Proposed Operations & Maintenance Costs (Rs Cr)**

Particulars	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11
	Base	TO	TO	TO	TO	Projected	Projected	Projected
Base O&M Expense	19.71							
Escalated at 6% p.a		20.33	21.54	22.83	24.20	25.65	27.19	28.82

**Return on Equity**

- 2.13 The Petitioner has calculated the Return on Equity as 16% of the equity component of Rs 460.19 Cr as per the Section 8.7.3 of the PPA.

**Table 10: Proposed Return on Equity (Rs Cr)**

Particulars	FY09	FY10	FY11
	Projected	Projected	Projected
Equity (Opening Balance)	460.19	460.19	460.19
Net additions during the year	0.00	0.00	0.00
Equity (Closing Balance)	460.19	460.19	460.19
Rate of Return on Equity	16%	16%	16%
<b>Return on Equity</b>	<b>73.63</b>	<b>73.63</b>	<b>73.63</b>

**Working Capital**

- 2.14 The Petitioner has calculated the Working Capital requirement as per the Section 8.7.4 of the PPA and the interest on working capital has been considered as 12.75% p.a. for the entire Control Period. The summary of the working capital and interest on working capital is provided in the table below:

**Table 11: Proposed Working Capital Requirement (Rs Cr)**

Particulars	FY08	FY09	FY10	FY11
		Projected	Projected	Projected
O&M Expenses	24.21	25.66	27.20	28.83
1/12 <sup>th</sup> of O&M Expenses	2.02	2.14	2.27	2.40
Maintenance Spares 12% of O&M Expenses	-	3.08	3.26	3.46
<b>Receivables</b>				
Annual Revenue from Tariff and charges	373.94	355.40	340.86	325.28
Receivables equivalent to 2 months average billing	62.32	59.23	56.81	54.21

Particulars	FY08	FY09	FY10	FY11
		Projected	Projected	Projected
<b>Total Working Capital</b>	<b>64.34</b>	<b>64.45</b>	<b>62.34</b>	<b>60.08</b>
Rate of Interest	12.75%	12.75%	12.75%	12.75%
<b>Interest on Working capital</b>	<b>8.20</b>	<b>8.22</b>	<b>7.95</b>	<b>7.66</b>

### **Incentive for Higher Plant Availability and Secondary Energy**

- 2.15 The Petitioner has calculated the incentive for higher plant availability as per the Section 8.10 of the PPA as 0.35% of equity for each percentage increase in plant availability over 90% subject to a maximum of 2% ROE.
- 2.16 The incentive for secondary energy generation has been calculated as per the Section 8.9 of the PPA on a projected secondary energy generation of 70 MU every year of the Control Period.

**Table 12: Proposed Incentive for Higher Plant Availability and Secondary Energy**

Particulars	FY08	FY09	FY10	FY11
		Projected	Projected	Projected
<b>Incentive for Higher Plant Availability</b>				
Projected Plant Availability	98%	98%	98%	98%
<b>Incentive 2% ROE/ 1050.06 MU (Rs Cr)</b>	<b>9.20</b>	<b>9.20</b>	<b>9.20</b>	<b>9.20</b>
<b>Incentive for Secondary Energy</b>				
Proposed Secondary Energy Generation (MU)	70	70	70	70
<b>10% ROE* Secondary Energy/ 155 MU (Rs Cr)</b>	<b>20.78</b>	<b>20.78</b>	<b>20.78</b>	<b>20.78</b>

### **Income Tax**

- 2.17 The Petitioner has calculated the Income Tax at the applicable rate of MAT of 10% plus Surcharges at 10% of basic rate plus education cess of 3%. The effective MAT rate works out to 11.33%. The summary of the income tax calculation is provided in the table below:

**Table 13: Proposed Income Tax for the Control Period (Rs Cr)**

Particulars	FY08	FY09	FY10	FY11
		Projected	Projected	Projected
Income Tax	22.31	21.65	20.88	20.12

### **Interest on Arrears and Debt Restructuring**

- 2.18 The Petitioner has calculated the payment of installments of arrears and normative loan for debt restructuring as per the tariff order issued by the Commission on 24 February, 2007. The amounts claimed against interest on arrears and debt restructuring as summarized in the table below:

**Table 14: Proposed Interest on Arrears and Debt Restructuring for the Control Period (Rs Cr)**

Particulars	FY08	FY09	FY10	FY11
		Projected	Projected	Projected
Installment of arrears	37.50	37.50	37.50	37.50
Installment of Debt Restructuring Expenses	-	7.10	7.10	7.10
<b>Total</b>	<b>37.50</b>	<b>44.60</b>	<b>44.60</b>	<b>44.60</b>

## Annual Fixed Charge for Baspa II HEP

2.19 The Petitioner has calculated the Annual Charge for Baspa II HEP based on the various head as detailed above and is summarized in the table below:

**Table 15: AFC for Baspa II HEP**

Particular	Unit	FY08	FY09	FY10	FY11
			Projected	Projected	Projected
Gross Generation	MU	1272.80	1272.80	1272.80	1272.80
Auxiliary Consumption (%) as per PPA	MU	0.50	0.50	0.50	0.50
<b>Energy available for Sale</b>	<b>MU</b>	<b>1120.06</b>	<b>1120.06</b>	<b>1120.06</b>	<b>1120.06</b>
<b>Capacity Charges</b>					
Depreciation + AAD	Rs Cr	89.48	89.48	89.48	89.48
Interest Charges	Rs Cr	87.75	73.61	64.25	53.78
<b>Total Capacity Charges</b>	<b>Rs Cr</b>	<b>177.23</b>	<b>163.09</b>	<b>153.73</b>	<b>143.26</b>
<b>Primary Energy Charges</b>					
O & M Expenses	Rs Cr	24.20	25.65	27.19	28.83
Return on Equity	Rs Cr	73.63	73.63	73.63	73.63
Interest on Working Capital	Rs Cr	8.20	8.22	7.95	7.66
<b>Total Primary Energy Charges</b>	<b>Rs Cr</b>	<b>106.03</b>	<b>107.50</b>	<b>108.77</b>	<b>110.12</b>
<b>Incentives and Taxes</b>					
Incentive for Secondary Energy	Rs Cr	20.78	20.78	20.78	20.78
Incentive for Higher Plant Availability	Rs Cr	9.20	9.20	9.20	9.20
Income Tax	Rs Cr	22.31	21.65	20.88	20.12
<b>Total Incentive and Taxes</b>	<b>Rs Cr</b>	<b>52.29</b>	<b>51.63</b>	<b>50.86</b>	<b>50.10</b>
<b>Total Charges</b>	<b>Rs Cr</b>	<b>335.55</b>	<b>322.22</b>	<b>313.36</b>	<b>303.48</b>
Sale Rate of Energy	Rs/kWh	3.00	2.88	2.80	2.71

## **A3: OBJECTION FILED BY STAKEHOLDERS**

### **Introduction**

3.1 This chapter summarizes the various issues/ objections raised by the various stakeholders to the petition. Only one objection was received by the Commission i.e. from Himachal Pradesh State Electricity Board despite the fact that the last date for receiving objections/suggestions was extended twice by the Commission. The Himachal Pradesh State Electricity Board raised several issues during the public hearing and in their written submissions dated 15 September 2008 and the rejoinder filed on 8 December 2008. The replies of the Petitioner on the issues raised have also been summarized here along with the Commission's views on the matter.

### **Objections by the Board/ Replies by the Petitioner**

#### **No Rationale for Projected Cost Component**

##### **Board's Objection**

3.2 The Board has pointed out that in the current petition submitted by Jaiprakash Hydro Power Limited on the website as well as the copies supplied to the Board, no rationale has been provided for projected cost component in their MYT petition during the Control Period. Further, no supporting details/ documents have been furnished for the cost components where the increase has been shown substantially higher during the Control Period. The assumption made by M/s Jaiprakash Hydro Power Ltd. has not been annexed/ clarified in the tariff petition. Considering this, it is difficult for the Board to give detailed observations/ comments on the submitted petition.

##### **Petitioner's Reply**

3.3 The additional capital expenditure incurred/ being incurred in the business plan has been shown with a submission that the details of actual expenditure shall be submitted to Commission for its approval separately. Therefore the rationale/ details shall be provided separately while seeking approval of the same from the Commission. There in no separate format in the HPERC Regulations to annex the assumptions with the MYT petition. However, the assumption like energy generation, applicable rate of interest, repayment schedules etc. are covered in the formats submitted.

##### **Commission's Views**

3.4 The Commission had sought various clarifications and supporting documents from the applicant to verify the various cost projections made in the petition. The Commission has analysed and decided on the petition based on its understanding and taking into consideration the submission dated 18 August 2008, 7 October 2008, 18 December 2008, 21 October 2008, 25 November 2008, 20 January 2009, 4 February 2009, 26 February 2009 and 16 March 2009.

**Restriction Imposed on Secondary Energy upto 70 MU**

**Board's Objection**

- 3.5 The Board has submitted that M/s JHPL in its business plan for the Control Period have restricted secondary energy to 70 MU, whereas, in the month of May 2008, M/s JHPL generated 51 MU of secondary energy, so the basis of restriction imposed on secondary energy upto 70 MU does not make any sense. Hence, in the absence of any supporting detail, the contention of M/s JHPL does not hold any justification.

**Petitioner's Reply**

- 3.6 The secondary energy has been assumed at 70 MU per tariff year (as against 155 MU provided in the PPA) based on average generation of secondary energy during the preceding years. The billing for the same shall be raised to HPSEB based on actual generation during the Control Period covered in MYT petition.

**Commission's Views**

- 3.7 The Commission in its tariff calculations has considered secondary energy production as 0 (zero) MU and the tariff has been calculated on primary energy generated by the plant. The secondary energy will be considered during the true-up at the end of the MYT period.

**Return on Equity**

**Board's Objection**

- 3.8 The Board has stated that M/s JHPL in their petition at page no. 14 have shown return on equity as Rs. 82.83 Cr, whereas at page no. 15, it is Rs. 73.63 Cr which is contrary to the provisions given in Commission's Tariff Order dated 24.2.2007. This would have major impact on the primary energy charges.

**Petitioner's Reply**

- 3.9 On page 14 of the MYT petition (Form No. S4- Annual Revenue Requirement being projected cash flow) under the sub head of expenditure, Return on Equity has been shown at Rs. 82.83 Crs. (which works out to be 18% of equity component of Rs. 460.19 Cr of the approved project cost of Rs. 1533.96 Cr) being proposed dividend to the equity share holders. Whereas on Page 15 of the MYT Petition Return on Equity (Form No. S5 – Return on Equity) has been worked out @ 16% as per clause of PPA at Rs. 73.63 Cr being the amount of claim as part of tariff. As such the claim from HPSEB is Rs.73.63 Cr only as per the provisions of Tariff Order dated 24-02-2007.

**Commission's Views**

- 3.10 The Commission in its tariff calculations for the Control Period has considered return on equity at 16% as per Section 8.7.3 of the PPA and which was also considered by

the Commission in its Tariff Order dated 24.2.2007.

**No Calculation/ Computation of the Tax**

**Board's Objection**

- 3.11 The Board has pointed out that M/s JHPL have not given any calculation/computation of the tax mentioned in their MYT petition which has its implications on the calculations on receivables that may ultimately affect primary energy charges.

**Petitioner's Reply**

- 3.12 The details of tax have been furnished in Form S1 (Profit & Loss Account) on Page 11 of the MYT petition. The income tax at serial no. H has been calculated @ 11.33% (basic rate of MAT @10% + surcharge thereon @10% + education cess @ 3% on MAT & Surcharge) on the profit before tax worked out at serial no. G in the said form.

**Commission's Views**

- 3.13 The Commission in its tariff determination has computed the taxes for the period FY04 to FY08 as per the Section 8.11.1 of the PPA and the applicable income tax rates. The tax has been considered as a cost element in the tariff and has been recovered through the tariff. The income tax for the MYT period has been projected by the Commission and shall be trued up at the end of the control period.

**No Basis of Calculations of Interest on Arrears**

**Board's Objection**

- 3.14 The Board has pointed out that M/s JHPL in their MYT petition at page-14 have mentioned interest on arrears as Rs. 31.08 Cr, Rs. 26.30 Cr, Rs. 21.52 Cr and Rs. 16.74 Cr for FY08, FY09, FY10 & FY11 respectively, but have not submitted the basis of calculations of interest on arrears for the Control Period as well as for FY07. These details are necessary as the same may have impact on the capacity charges as per Section No.5.16.2 of Tariff Order dt. 24.02.07.

**Petitioner's Reply**

- 3.15 The interest on arrears has been calculated in line with the methodology adopted by the Commission in the Tariff Order dated 24 February, 2007. The said interest has been calculated @12.75 % p.a. in the MYT petition as per Section 10.11 of PPA, which reads as under:

*"In case the Board does not make the payment of any bill within the due date of payment, the outstanding amount of such bill shall bear interest accrued for the number of days between the due date of payment and actual date of payment at a rate equal to the rate being charged from time to time by State Bank of India for 90 days*

*unsecured loans to commercial borrowers plus three (3) percent per annum plus interest tax subject to the provisions contained in Section 10.16.”*

- 3.16 The applicable PLR of the State Bank of India (SBI) at the time of filing of MYT Petition was @12.75% p.a., which has since increased to 13.75% p.a. If the spread of 3% mentioned in the PPA is added to the PLR of the SBI, then the applicable rate will come to 15.75% p.a at the time of filing of MYT application (@ 16.75% as on date) as against 12.75% p.a. sought by the Applicant.

**Commission’s Views**

- 3.17 The Commission has computed the arrears as per revised numbers subsequent to the completion of the true-up exercise and considered the rate of interest on arrears at 8% per annum as considered in its tariff order dated 24 February 2007. The Commission concurs with the applicant with respect to the applicability of Section 10.11 and 10.15 of the PPA in case of default on the part of the Board in making timely payment of any bill raised by them. However, the context of the Board’s objection relates to the interest on the arrears arising out of difference between the interim tariff and the approved AFC as per the Tariff Order dated 24 February 2007 for which the Commission finds no reason to amend its earlier approved rate of interest of 8%. The details of the calculation and treatment are discussed in the relevant section of this Order.

**Increased Interest on Normative Loan of Debt Restructuring**

**Board’s Objection**

- 3.18 The Board has highlighted that the interest on normative loan of Debt Restructuring have been shown increased from Rs. 4.55 Cr to Rs. 7.25 Cr in their MYT petition during FY08, whereas this payment already stands included as per Section No. 5.16.2 of the Tariff Order dt.24.02.07 in capacity charges against FY08. The HPSEB has released the payment of principal amount in monthly installments during FY08 onward as such; the interest liability on this account will be reduced accordingly.

**Petitioner’s Reply**

- 3.19 The petitioner has submitted that in line with the assumptions of interest on arrears stated in reply to point hereinabove, interest on normative loan of debt restructuring has also been considered @12.75% p.a. HPSEB has not made any payment on account of Debt Restructuring during FY08 as contended by them. The Applicant further submits that the Board has commenced the payment of monthly installment of normative loan for debt restructuring w.e.f. May 2008 onwards in line with provisions of the Tariff Order dated 24 February, 2007 passed by the Commission.

**Commission’s Views**

- 3.20 The Commission has considered the actual cost incurred by JHPL for debt restructuring based on the submissions of JHPL made to the Commission and carrying due prudence check during the processing of this tariff order. The details of the debt



restructuring undertaken by JHPL and the cost incurred/ approved are discussed in the relevant sections of this Order.

### **Increased Administrative and General Expenses**

#### **Board's Objection**

- 3.21 The Board has pointed that the Administrative and General expenses have been shown more than double of employee cost in the statement of expenditure in profit & loss account without giving any justification. Nowhere in the country could one find such a higher percentage of A&G expenses in comparison to the employee cost. M/s JHPL may clarify this issue on realistic basis.

#### **Petitioner's Reply**

- 3.22 The Petitioner has submitted that the Administrative Expenses (shown in Form No. S4 - Profit & Loss A/c) are based on the past trend and are a part of O&M Expenses which have been claimed in the MYT petition @1.25% of the approved Project Cost (of Rs.1533.96 Cr.) with 6% p.a. escalation in line with the relevant section of PPA / Tariff Order dated 24-02-07. The Applicant further submits that as such the quantum of Administrative Expenses on stand alone basis would not have any impact on the proposed tariff in MYT petition.

#### **Commission's Views**

- 3.23 The Commission has calculated the O&M expenses on normative basis as per the terms of the PPA and have been allowed to be recovered through tariffs. Hence, the actual O&M expenses incurred/ to be incurred by the Petitioner are of no consequence to the tariff determination process.

### **Incomplete Details to Assess the Capacity Charges**

#### **Board's Objection**

- 3.24 The Board has submitted that without incorporating any details as desired in para 3.14 (No Basis of Calculations of Interest on Arrears), it is not possible to assess the capacity charges of a particular financial year in line with methodology adopted by Commission in its tariff order dated 24.2.2007, as the interest on outstanding arrears (financing charges) has been considered as one of the components by the Commission for the calculations of capacity charges.

#### **Petitioner's Reply**

- 3.25 The requisite details have been furnished in the prescribed formats of HPERC.

#### **Commission's Views**

- 3.26 As mentioned in para 3.17, the Commission has computed the arrears as per revised

numbers subsequent to true-up of previous years (FY04-FY08) and considered the rate of interest on arrears at 8% per annum as considered in its tariff order dated 24 February 2007.

### **Primary Energy Charges**

#### **Board's Objection**

- 3.27 The Board has stated that the issues taken against item discussed in para 3.5 to para 3.20 have their implications on the calculations of interest on working capital which may ultimately affect primary energy charges.

#### **Petitioner's Reply**

- 3.28 The above stated aspects would automatically get factored in the tariff approval proceedings by the Commission for the control period.

#### **Commission's Views**

- 3.29 The Commission has considered the points raised by the Board. The working capital for determination of tariff has been calculated after taking in to considerations the points raised by the Board and the methodology spelt out in the PPA.

### **O&M Expenses**

#### **Board's Objection**

- 3.30 The Board has submitted that M/s JHPL have taken O&M based upon the tariff order dated 24.2.2007 whereas the issue of O&M expenses as depicted in tariff order for FY 2003-04 to FY 2007-08 issued by Commission vide order dated 24.2.2007 was taken up in the review petition filed by the Board and the contention of the Board i.e 6% escalation was to be taken for each year subsequent to the initial tariff year instead of initial tariff year, had been accepted by the Commission. Accordingly, the projected O&M expenses in MYT of M/S JHPL shall undergo a downward revision which shall ultimately reduce interest on working capital as well as affect primary energy charges. The impact of this aspect has not been considered by M/S JHPL in their MYT petition.

#### **Petitioner's Reply**

- 3.31 The Commission has already addressed this issue vide its Order dated 7 February, 2008.

#### **Commission's Views**

- 3.32 The Commission for determination of the tariff has taken into consideration the O&M expenses as per the PPA and the Commission's review order dated 7 February, 2008 and calculated the O&M cost as per the relevant Section 8.7.2 of the PPA.

### **Capital Cost of the Project**

#### **Board's Objection**

- 3.33 The Board has pointed out that in line with Section 8.2 of the PPA; the capital cost of the project is required to be reduced by the amount equal to saleable infirm energy for which M/s JHPL have not raised any bill in line with the PPA. This aspect may please be seen as the same has its adverse affect on the calculations of all the basic components of the tariff.

#### **Petitioner's Reply**

- 3.34 The Commission vide its Order dated 7 February, 2008 has since rejected the plea of HPSEB on this aspect / objection.

#### **Commission's Views**

- 3.35 The Commission has passed appropriate orders in the matter vide its Order dated 7 February, 2008.

### **Interest on Loan Component**

#### **Board's Objection**

- 3.36 The Board has submitted that the Commission in its Order dated 7.2.2008 has taken note of the Board's contention in right prospective way in respect of interest on loan component and has ordered that higher interest loans approved shall be subject to consequent adjustment on submission of proof by JHPL which may lead to reduction of interest rate as well as cost benefit aspect of the project. Whereas, M/s JHPL have not disclosed the requisite detail even in their MYT petition which may lead to further reduction of capacity charges.

#### **Petitioner's Reply**

- 3.37 The requisite information/ details have since been submitted before the Commission vide its Affidavit dated 18 August, 2008 with a copy to HPSEB which is a matter of record and are not being repeated for the sake of brevity.

#### **Commission's Views**

- 3.38 The Commission had directed the Petitioner to submit the details of the interest rates levied by the lenders along with the documentary supports on the outstanding loans as approved by the HPERC in its Tariff Order dated 24 February, 2007. The Petitioner submitted the information and the documentary supports vide its submissions dated 18 August 2008, 7 October 2008, 18 December 2008, 21 October 2008, 25 November 2008, 20 January 2009, 4 February 2009, 26 February 2009 and 16 March 2009.

- 3.39 The Commission has also considered the Cost Benefit Analysis on debt restructuring

submitted by JHPL on 18 August, 2008.

**Mismatch of Interest on Outstanding Loans**

**Board's Objection**

- 3.40 The Board has submitted that interest on outstanding loans mentioned in the balance sheet enclosed in MYT of M/s JHPL does not match with the same approved in tariff order dated 24.2.2007. This aspect needs to be clarified.

**Petitioner's Reply**

- 3.41 The actual interest in the audited Profit & Loss A/c of the Company are different as compared with the Tariff Order dated 24 February, 2007 passed by this Commission mainly on account of the fact that the cost approved by Commission is lower than the actual and variance in means of financing thereof, etc.

**Commission's Views**

- 3.42 The Commission for determination of tariff has computed the interest charges on loans outstanding the period FY04 –FY08 based on the actual interest rates charged by the lenders. The Commission had directed the Petitioner to submit the details of the interest rates levied by the lenders along with the documentary supports. The Petitioner submitted the information and the related documents vide its submissions dated 18 August 2008, 7 October 2008, 18 December 2008, 21 October 2008, 25 November 2008, 20 January 2009, 4 February 2009, 26 February 2009 and 16 March 2009.

**Amount of Arrears Claimed**

**Board's Objection**

- 3.43 The Board has pointed out that M/s JHPL at page No.14 of MYT have taken installment on arrears as Rs. 37.50 Cr w.e.f. 2007-08 onwards which is subject to arrears to be paid by HPSEB ending 31.3.2007. M/s JHPL in their Annual Adjustment Bill for FY 2006-07 have claimed Rs. 300.08 Cr. approx., whereas after scrutiny of the same, the amount of arrears claimed was restricted to Rs. 245.11 Cr. after deleting the components such as TDS and FBT, as no provision exists in the Tariff Order of the Commission dated 24.2.2007. This aspect has not been considered by M/s JHPL in their MYT petition.

**Petitioner's Reply**

- 3.44 The Petitioner has submitted that it has included annual payment of Rs. 37.5 Cr. aggregating to Rs. 262.5 Cr (i.e. Rs. 37.5 Cr X 7 years), in line with the provision of Tariff Order dated 24 February, 2007 passed by the Commission.
- 3.45 The HPSEB has reduced the said amount to Rs. 245.11 Crs. interalia, by reducing (a)

Tax Deduction at Source (TDS) by Bank(s) (Rs.0.63 Crs.) (b) Fringe Benefits Tax (FBT) (Rs.0.17 Crs.) (c) Differential of Income Tax (Rs. 7.12 Crs.) for FY 05-06. (d) Incentive for higher plant availability for FY 06-07 (Rs.7.58 Crs.) and (e) balance towards difference of interest on arrears / rate of primary energy etc.

**Commission's Views**

- 3.46 The Commission during the processing of the tariff petition, directed the Petitioner to submit a jointly reconciled statement of payments made by the Board to JHPL during the last five years i.e. FY04 to FY08. The Petitioner in its submission dated 20 January 2009 submitted the statement jointly reconciled with HPSEB detailing the payments made to JHPL. The Commission has considered the reconciled statement for determination of the net arrears now payable, by HPSEB to M/s JHPL, after true up.

**Variation in Foreign Exchange Rate**

**Board's Objection**

- 3.47 The Board has submitted that the capacity charges as per Section No. 10.5.1(b) of the PPA are inter-alia subject to adjustment on account of foreign exchange rate variation as per provisions of Section 8.13 read with Section 10.7 of the PPA wherein extra rupee liability towards interest payment and loan repayment occurred in the relevant year on account of foreign exchange rate variation shall be payable subject to the limits specified in the PPA on the basis of current exchange rate between the US Dollars and Indian Rupee on the date on which the remittance is due, provided it directly arises out of the foreign exchange rate variation. Whereas M/s JHPL in their MYT petition have considered foreign exchange rate as Rs. 47.04 for the capital cost admitted as on 24.2.2007, which deviates from the provisions given in Section 8.14 of the PPA which stipulates that the rate of exchange between US \$ and Indian rupee as applicable on 15 February of the year preceding the tariff year for which tariff is to be computed shall be adopted for converting the tariff component.

**Petitioner's Reply**

- 3.48 In the MYT petition, JHPL has considered rate of foreign exchange at Rs. 39.97 per US dollar while calculating the interest and repayment of Foreign Currency Loan. (Page No. 49 of MYT petition).

**Commission's Views**

- 3.49 The Commission has considered the foreign exchange rate as applicable on the date of payment based on the information submitted by JHPL in its MYT Tariff petition on Form 8B of excel sheet "FINAL TARIFF ON MYT BASIS" and the submission dated 4 February, 2009. For the MYT period, the Commission has considered an exchange rate, as prevalent on the last principal repayment date, for the respective bank loans, subject to true-up at the end of the Control Period.

**Protection Works**

**Board's Objection**

- 3.50 The Board has stated that the protection works costing Rs. 157 Cr (as indicated at Sr. No. 3 page-9), as included in the MYT petition cannot be considered as project has been executed on turn key basis and these measures are supposed to be executed during execution of project. The project was to be implemented conforming to the International/National Standards and these works were to be provided at the construction stage itself. Deficiencies/shortcomings caused at the construction stage cannot become a basis for claiming increase in the cost at the O&M stage. Moreover these works have not been carried out with the concurrence of HPSEB. HPSEB has been consulted neither during design nor in the construction stage.

**Petitioner's Reply**

- 3.51 As mentioned in reply para 3.3 hereinabove, JHPL has shown the additional capital expenditure incurred/being incurred in the business plan with a note that the details of actual expenditure shall be submitted to the Commission for its approval separately. JHPL has already submitted to HPSEB details of the additional expenditure on account of the force majeure event(s) and would approach the Commission after approval by HPSEB. The said capital expenditure has not been factored in the MYT petition for computation of tariff.

**Commission's Views**

- 3.52 The Commission, vide its interim order dated 20 September, 2008 directed the Board to ensure that the Force Majeure Committee constituted as per the PPA shall submit its report by 31 December 2008 and also the cost of completion so that the issue regarding the capital cost is settled. The Commission is yet to receive the report of the Force Majeure Committee.
- 3.53 The Commission has not considered any capital expenditure incurred/ being incurred by the Petitioner for determination of tariff for the Control Period. The Commission shall consider the same as and when the Petitioner files an application with the Commission for its approval along with report of the Force Majeure Committee.

**MYT Filing not as per the Rules**

**Board's Objection**

- 3.54 The Board has contended that MYT filing is not as per the rules framed by the CERC or HPERC.

**Petitioner's Reply**

- 3.55 The petitioner has complied with all the regulations framed by Commission.

**Commission's Views**

- 3.56 The Commission has admitted the petition filed by the Petitioner which establishes that the filing is as per the regulations issued by the Commission.

**Application Seeking Clarification on Certain Issues**

- 3.57 The Petitioner through its application dated 21<sup>st</sup> October, 2008 has sought clarification from the Commission on certain issues pertaining to the tariff determination for Baspa Hydro Power Station for MYT period FY09 to FY11. The clarifications sought by the Petitioner and the views of the Commission are discussed below.

**Fringe Benefit Tax (FBT)**

**Applicant's Submission**

- 3.58 The Applicant (JHPL) has submitted that as per the terms of the provisions of the Power Purchase Agreement (PPA) dated 4 June 2007 the Board shall be liable for the income tax actually payable by the Applicant under the Income Tax Law. The Applicant submits that as per Section 115WA of the Income Tax Act, 1961, fringe benefit tax (FBT) is an additional tax. The provision of the Act is reproduced below:

*“In addition to the income tax charged under the Act there shall be charged for every assessment year commencing on or after the first day of April 2006, **additional income tax (in this Act referred to as Fringe Benefit Tax)** in respect of fringe benefit provided or deemed to have been provided by an employer to his employees during the previous year @ 30% of the value of such fringe benefits.”*

- 3.59 The Applicant submits that the fringe benefit tax is liable to be paid by the Board to the Applicant as per the PPA. The Applicant has approached the Board and submitted an annual adjustment bill for Tariff year 2007-08 vide letter dated 28 April 2008. The Board in its response through letter dated 9th June 2008 replied that as per the Tariff order dated 24 February 2007, only Minimum Alternate Tax (MAT) was approved and no reference to FBT was made. Hence, the Board is unable to process the bills and advised the Applicant to seek clarification from the Commission in this regard.
- 3.60 The Applicant with respect to the above, submits that FBT is an additional income tax and payable by the Board as per the provisions of the PPA. The Applicant prays that the Commission may consider the same as a part of tariff while determining the tariff for the MYT period and direct the Board to pay all arrears of FBT due.

**Board's Response**

- 3.61 The Board in its response has submitted that, the Commission, as per Section 5.11.2 of the Tariff Order dated 24.2.07 has approved tax liability of the Board only to the extent of Minimum Alternate Tax (MAT) and therefore the claim of the Applicant for reimbursement of FBT is not in order and hence not acceptable.

- 3.62 In view of difficulties expressed by the Board above, the Board is unable to process the bills and also M/s JHPL is filing this application on these specific issues before Commission for seeking clarification, hence offers no further comments.

**Commission's Views**

- 3.63 The PPA signed between the Applicant and the Board, defines Tax on Income as follows:

*"2.2.119 TAX ON INCOME*

*Shall mean tax on income payable in India by the Company, related to generation and sale of electricity to Board in respect of this Agreement and imposed by the Government of India, but excluding any taxes or penalty imposed on the Company by reason of Company's default."*

- 3.64 As defined in the PPA, the tax on income has to be calculated as per the relevant provisions of the PPA. The provision of the PPA dealing with Tax on Income is reproduced below:

*"8.11 TAX ON INCOME*

*Tax on income in accordance with explanation given below will be payable as an expense to the company. If any advance tax shall be payable by the Company in any month based on income relating to the Project, the Company shall submit a tax bill to the Board at least 40 days prior to the required date of payment of such tax/ advance tax by the Company reflecting the detailed calculations for such tax/ advance tax. Each bill for tax/ advance tax shall be supported by a certificate of the Auditors of the Company. The Board shall pay to the Company an amount equal to the amount of such tax/ advance tax after 30 days from receipt of such bills or ten days prior to the last date of payment by the Company, whichever is later. After the tax assessment is completed for any tariff year/ tariff period the excess/ shortfall so determined will be reflected in the regular monthly bill for Billing Month in which such assessment is completed.*

***Explanation:-***

*Income Tax payable by the Board shall be determined by considering the income to the company on account of ROE (not exceeding 16%), depreciation/ advance depreciation as applicable, and 50% of income on account of incentives as per Section 8.9 and 8.10, in respect of the project as per the Income Tax Law. Rebate on account of depreciation and any other rebate/ exemption admissible under law shall be considered for purpose of calculation of tax liability of the Board.*

*Under no circumstances tax liability payable by the Board shall be more than the income tax actually payable by the Company.*

*No Income tax shall be payable by the Board on any other income accrued to*



*the Company.*

*The Company shall maintain separate record in respect of income tax liability of the Board. These shall be reconciled with the Board annually.”*

- 3.65 According to the tax on income provision of the PPA as reproduced above, the computation of income for determining the tax liability for the Board is clearly defined and consists of
- (a) Return on Equity not exceeding 16%
  - (b) Depreciation/ Advance depreciation, and
  - (c) 50% of income on incentives earned on higher plant availability and secondary energy
- 3.66 The income for the company so determined is considered for calculation of the tax liability of the Board on income tax rates as per the Income Tax Act of 1961. As MAT benefit is available to the Applicant, the Board's tax liability is computed at the applicable MAT rate.
- 3.67 The income for computing the tax liability has to be as per the methodology specified in the PPA and there can be no additional tax liability on the Board on account of FBT. Hence, complete tax liability due to FBT shall be on account of the Applicant and the tax liability for the Board shall be strictly computed based on the relevant provisions of the PPA.

### **Rebate for Timely Payment**

#### **Applicants Submission**

- 3.68 The Applicant has submitted that the Commission in its Order dated 24 February 2007 has provided for payment of interest on normative loans related to debt restructuring expenditure, application fee and financing charges related to arrears payable by the Board as part of the capacity charge. The Board in terms of the Order is seeking rebate on such payment of capacity charges.
- 3.69 The Applicant prays that a clarification may be issued by the Commission that the rebate is applicable in terms of Section 10.14 of the PPA for monthly bills for sale of energy. The interest on normative loans related to debt restructuring expenditure, application fee and financing charges relate to arrears payable by Board are payments in the nature of reimbursement, the benefit of which has been passed on to the Board in terms of lower tariff.

#### **Board's Response**

- 3.70 The Board has submitted that, the Board is availing rebate on these components with the contention that the Commission has made these components a part of capacity

charges. So long as these components remain part of capacity charges, the admissibility for availing rebate exists.

- 3.71 However, in regards with the rebate being availed on the installment of arrear. It has submitted that prior to determination of Tariff for Baspa-II (HEP) vide order dated 24.2.2007, the Commission directed the Board to continue to pay the applicant, the revenue realized from sale of energy from Baspa Stage-II project vide order dated 19.7.2003 and the Board accordingly passed on the entire payment of revenue realized out of energy sold from Baspa-II to M/s JHPL after deduction of incidental charge such as transmission charges and transmission loses. As per Section no. 5.15.5 of order dated 24.2.2007, the Commission introduced a recovery mechanism spread over seven years for payment of past arrear. As such this amount has been considered as fresh bill for payment and thus the rebate availed by the Board on the monthly installments is in order.

**Commission's Views**

- 3.72 The terms of Section 10.14 of the PPA signed between the Applicant and the Board, on rebate for timely payment are as follows:

*"10.14 DUE DATE OF PAYMENT AND REBATE*

- a) For payment of monthly bills as per Section 10.1 and 10.3 (b) for each billing month made in full via the Letter of Credit, or Bank Draft/ Certified cheque within seven (7) days from the presentation of the monthly bill, the Board shall be given rebate at the rate of two point five percent (2.5%) of the amount billed. For any part payment of monthly bills in the above manner, the 2.5% rebate as indicated on the bill shall be reduced by an amount equal to 2.5% of the amount equal to the difference between the net amount of the bill and the amount paid within 7 days from the presentation of the bill.*
- b) To the extent the Board makes payment after 7 days but within thirty (30) days from the presentation of the bill via a Letter of Credit or Bank Draft/ Certified cheque, the Board shall be entitled to a discount of one (1%) of the amount so invoiced by the Company.*
- c) In case of supplementary bills also, the Company shall allow rebate at the above rates for payments within 7 days and within thirty five (35) days from the presentation of the supplementary bill to the Board"*

- 3.73 Based on the relevant provisions of the PPA, the Commission disagrees with the submission of the Applicant that the rebate for timely repayment is available only on the monthly bills for sale of energy and not on arrears relating to interest on normative loans related to debt restructuring expenditure, application fee and financing charges as claimed by the Board.

- 3.74 The bills on account of debt restructuring expenditure, application fee and financing charges were raised to the Board for the first time after obtaining the approval of the

Commission. Just because these bills are for the past period, the Board cannot be denied the benefits of rebate because had the tariff been determined at COD of the project, all such expenses would have formed part of capacity charges and would have been claimed through monthly bills and this issue would not have arisen. Therefore, the Board is entitled to receive rebate by paying the bills on account of arrears, within the due date as specified in the PPA.

## **Reimbursement of TDS**

### **Applicants Submission**

- 3.75 The Applicant has submitted that for raising funds for setting up the present generating station, the lenders had stipulated for opening of Trust Retention Account (TRA) as part of the terms & conditions of granting term loans. Accordingly, the revenues from the sale of energy are required to be deposited in the TRA as part of the security mechanism for financial assistance received from lenders. The Applicant earns interest on the amounts lying in the TRA on which tax is deducted at source in terms of the Income Tax Act, 1961. The Applicant submits before the Commission that the deposits of amounts in the TRA are in compliance of the terms of financing and not as a part of investment.
- 3.76 The Applicant prays that the Commission to issue a clarification and direct the Board that the interest accrued and tax deducted at source under the Income Tax Act, on amounts deposited in TRA, the TDS payable by the Applicant be treated as part of “tax on income payable in India by the Applicant related to generation” under Section 2.2.119 of the PPA.

### **Board’s Response**

- 3.77 The Board has submitted that it is not processing the bills related to TDS with the contention that the TDS relates to the deduction made by the Banks towards the interest accrued on the amount deposited by the Applicant with the Banks and the Board is liable to pay only tax on income in terms of Section 8.11.1 of the PPA which stipulates that no income tax shall be payable by the Board on any other income accrued to the Applicant, hence the contention of M/s JHPL is not acceptable

### **Commission’s View**

- 3.78 The Section 8.11.1 on Tax on Income, clearly details out without any ambiguity the methodology for calculating the taxable income from generation and the tax liability due on the Board. The relevant section of the PPA has been reproduced in para 3.63 and para 3.64.
- 3.79 As per the Section 8.11.1 of the PPA, explanation;

*“No Income tax shall be payable by the Board on any other income accrued to the Company.”*

- 3.80 As per the submission of the Applicant it is understood that the interest earned by the

Applicant on the amounts lying in the TRA is taxable under the Income Tax Act, 1961 and is a source of other income whose benefit is enjoyed by the Applicant. Hence, the tax liability due on the TRA interest is to be borne by the Applicant and cannot be treated as part of tax liability of the Board.

- 3.81 However, if the interest earned on the TRA is passed on to the Board by employing the amount in reducing the interest charges then as the Board enjoys the benefits of the interest earned on TRA, TDS arising out of the same could be considered as part of the tax liability of the Board.

## **A4: TRUE UP FOR TARIFF PERIOD FY04 TO FY08**

### **Introduction**

- 4.1 The Commission issued the first Tariff Order for Baspa II HEP on 24 February, 2007, which determined the capital cost of the project and fixed the tariffs for sale of energy to the Board for the period FY04 to FY08. This chapter details the true-up of the first Tariff Order of Baspa II HEP for the period FY04 to FY08.
- 4.2 The Commission has trued up based on the review of the operational and financial performance of the Applicant for previous years, the Power Purchase Agreement (PPA) between the JHPL and the Board, review and analysis of the past records, information filed by the Applicant in the petition and other submissions in response to queries raised by the Commission and views expressed by stakeholders. The following sections contain the detailed analysis of the various components of tariff based on the various submissions of the Petitioner.

### **Computation of Tariff**

- 4.3 As per the PPA, the tariff for 88% of the energy generated by Baspa II HEP comprises of five parts
- (a) Capacity Charges
  - (b) Primary Energy Charge
  - (c) Incentive for Secondary Energy
  - (d) Incentive for Higher Plant Availability
  - (e) Tax on Income

### **Capacity Charge**

- 4.4 The capacity charge as per Section 8.6 of the PPA is a sum of
- (a) Interest on outstanding loan due during the tariff year as per the loans approved by the Commission while approving the project cost.
  - (b) Depreciation and Advance against Depreciation for the tariff year as per the Section 8.6.5 of the PPA
  - (c) Leasing Charges

### **Primary Energy Charge**

- 4.5 The primary energy charge as per Section 8.7 of the PPA is a sum of

- (a) Operations and Maintenance Charges computed as per Section 8.7.2 of the PPA
- (b) Return on Equity computed as per Section 8.7.3 of the PPA on the equity component approved by the Commission
- (c) Interest on Working Capital as per Section 8.7.4 of the PPA
- (d) Other Miscellaneous Charges as defined under Section 8.7.5 of the PPA

**Incentive for Secondary Energy**

4.6 The incentive for secondary energy shall be calculated as per Section 8.9 of the PPA and has been detailed in relevant section of this tariff order.

**Incentive for Higher Plant Availability**

4.7 The incentive for higher plant availability shall be calculated as per the Section 8.10 of the PPA and has been detailed in relevant section of this tariff order.

**Tax on Income**

4.8 The tax on income shall be computed as per Section 8.11 of the PPA and has been discussed in detail in the relevant section of this tariff order.

**Energy Generation from the Plant**

4.9 The Schedule IX-A of the PPA provides the details of the design energy of the plant which is 1213.18 MU per annum. As per the Section 8.12 of the PPA, the net saleable energy from the plant shall be equal to 88% of the energy worked out by deducting

- (a) 0.5% auxiliary consumption
- (b) 0.5% transformation losses
- (c) 0.65% transmission losses

4.10 The net saleable energy has been considered by the Commission as per the PPA and shown below:

**Table 16: Net Saleable Energy from Baspa II HEP (MU)**

<b>Particular</b>	<b>Unit</b>	
Design Energy	MU	1213.18
Auxiliary Consumption	%	0.50%
Transformation losses	%	0.50%
Transmission loss to grid	%	0.65%
Share of Available Power	%	88.00%
<b>Net Saleable Energy</b>	<b>MU</b>	<b>1050.06</b>

- 4.11 The actual generation of energy segregated into primary and secondary energy as submitted by the Petitioner for the period FY04 to FY08 is indicated in the table below:

**Table 17: Actual Energy Generated from Baspa II HEP (MU)**

Particular	FY04	FY05	FY06	FY07	FY08
<b>As per Tariff Order dated 24 Feb 07</b>					
Primary Energy	940.41	1041.93	1028.50	-	-
Secondary Energy	53.47	0.00	0.00	-	-
<b>Total Energy</b>	<b>993.88</b>	<b>1041.93</b>	<b>1028.50</b>	-	-
Plant Availability	96.80%	99.80%	95.65%		
<b>As per MYT Petition</b>					
Primary Energy	940.41	1041.93	1028.50	1050.06	1050.06
Secondary Energy	53.47	0.00	0.00	71.48	71.20
<b>Total Energy</b>	<b>993.88</b>	<b>1041.93</b>	<b>1028.50</b>	<b>1121.54</b>	<b>1121.26</b>
Plant Availability (%)	96.80%	99.80%	95.65%	98.83%	99.91%

- 4.12 The Commission in its Tariff Order dated 24 February, 2007 had calculated the primary energy charges, incentives for secondary energy and higher plant availability upto FY06 and indicated that the primary energy charges and incentives for the FY07 and FY08 would be computed and billed by the Petitioner to the Board based on actual generation data as per the PPA.
- 4.13 The Commission has trued up the primary energy charges, incentives for secondary energy and higher plant availability for the period FY04 to FY08 based on the latest submission of the Petitioner. However, the incentive for plant availability for FY05 and FY 06 would be trued up after the report and the recommendations of the Force Majeure Committee are received.

### **Additional Capital Cost**

- 4.14 The Petitioner has submitted following additional capital expenditure it has incurred/ will be incurring during the MYT period in addition to approved capital cost by the Commission.

**Table 18: JHPL Additional Capital Expenditure (Rs Cr)**

Expenditure	FY06	FY07	FY08	FY09	Total
Protection Works of Barrage (Net of Insurance claim of Rs 14.07 Cr)	66.72	-	-		<b>66.72</b>
Restoration of Pothead Yard (Net of Insurance claim of Rs 15.83 Cr)	-	2.43	-	-	<b>2.43</b>
Protection of Pothead Yard	-	-	75.25	-	<b>75.25</b>
Additional Compensation Paid for Land acquired for the project	-	-	9.03	-	<b>9.03</b>
Cost of Runner	-	-	-	4.00	<b>4.00</b>

<b>Expenditure</b>	<b>FY06</b>	<b>FY07</b>	<b>FY08</b>	<b>FY09</b>	<b>Total</b>
<b>Total Expenditure Incurred/ Incurring</b>	<b>66.72</b>	<b>2.43</b>	<b>84.28</b>	<b>4.00</b>	<b>157.43</b>

- 4.15 In relation to the additional capital expenditure incurred by JHPL on the Baspa project, the Commission issued an interim order dated 20 September 2008, directing the Petitioner and the respondent, the Board, to constitute a committee as per the PPA for determining the force majeure events and the financial implications for undertaking the remedial measures. The Commission granted three months to the Committee to finalise its recommendations and directed the Petitioner and the Board to table the report before the Commission by 31<sup>st</sup> December 2008.
- 4.16 Since the report of the Committee is still awaited, the Commission cannot approve these additional capitalizations for tariff determination and has considered the capital cost of Rs 1533.96 Cr and means of finance approved in the previous Tariff Order. However, this additional capital expenditure would be considered at the time of true-up of the present tariff order, based on the recommendations given by Committee to the Commission.

**Table 19: Approved Capital Cost and Means of Finance**

<b>Particulars</b>	<b>Rs Cr</b>
Capital Cost of Project	1533.96
<b>Means of Finance</b>	
Equity	460.19
Debt	1073.77
Foreign Currency Loan	203.26
Rupee Term Loan	870.52
<b>Total</b>	<b>1533.96</b>

### **Interest on Loans**

- 4.17 The Commission in its Tariff Order dated 24 February, 2007 had determined the capital cost of the project as Rs 1533.96 Cr with a debt to equity ratio of 70:30. The interest on outstanding loan for both rupee term loans and foreign currency loans was computed taking into account the loan amount as per the approved financial package and the terms and conditions of interest as per the loan agreement entered with the Financial Institutions/ Banks.
- 4.18 The rupee term loans and foreign currency loans as approved and considered by the Commission in its Tariff Order dated 24 February, 2007 are as given below:

**Table 20: Approved Rupee Term Loans (Rs. Cr)**

<b>Sl No</b>	<b>Particulars</b>	<b>Tariff Order</b>
1	IDBI	84.96
2	Power Finance Corporation	165.75



SI No	Particulars	Tariff Order
3	IFCI Deb/ UTI Bank	136.22
4	IIBI	13.65
5	ICICI Debs	150.00
6	LIC	15.00
7	Bank of Baroda	50.00
8	Punjab National Bank	49.41
9	Indian Overseas Bank	50.00
10	Central Bank of India	50.00
11	State Bank of Indore	21.00
12	State Bank of Patiala	22.50
13	State Bank of Mysore	15.00
14	State Bank of Travancore	25.00
15	State Bank of Hyderabad	22.02
	<b>Indian Rupee Loans</b>	<b>870.51</b>

**Table 21: Approved Foreign Currency Loans (US \$ Mn)**

SI No	Particulars	Tariff Order
1	Credit Lyonnais	17.85
2	Hypo Bank	11.31
3	VA Tech	11.48
4	IDBI FCL	2.62
	<b>Foreign Currency Loans</b>	<b>43.26</b>

- 4.19 During the determination of tariff for the period FY04 to FY08, the Petitioner in accordance with the directions given by the Commission in suo motu case No. 25/2003, had taken steps to restructure the debt and interest rates applicable for the project in order to reduce the long term cost of lending/ financing, which had resulted in:
- (a) Reduction of the average interest rate to 16.50% per annum (as on COD, June 2003)
  - (b) Reduction in interest rate to 10.5% per annum.
- 4.20 The Commission had therefore considered the restructured interest rates for the various loans to compute the interest on outstanding loan for the period FY04 to FY08.
- 4.21 The Commission in this Order has re-computed and trued up the interest charges on loans as per the actual rate of interest as charged by the respective lenders after the exercise of debt restructuring for the period FY04 to FY08 based on the information submitted by the Petitioner and subsequent prudency check carried out by the Commission.

- 4.22 The Commission during the true up exercise directed the Petitioner vide letter No. HPERC/DTE/477 Vol-1/MS/AS/2008-832 dated 16 May, 2008 to submit the details of the applicable interest rates, quarterly interest paid and the repayment of loans for the period FY04 to FY08 along with the letters in support of the revision of interest rates from time to time. The Petitioner was also directed to submit the letters received from financial institutions and banks supporting the revision of repayment period for Rupee loans from 40 instalments over a period of 10 years to 44 instalments over a period of 11 years. The Petitioner submitted the requisite information through its submission vide M.A. No. 179 of 2008 dated 18 August, 2008.
- 4.23 The Commission after scrutinizing and perusing the information and the supporting documents submitted on 18 August 2008 by the Petitioner raised a set of queries vide letter No. HPERC/D(TE)/477 Vol-II/D/2008-2442 dated 30 September, 2008 seeking details of applicable interest rates on the rupee term loans during the control period supported with copies of letters from the lenders, details of loans prepaid by availing fresh loans, copies of sanction letters and loan documents from IFCI & IDBI for fresh loans availed from them and the details of the debt restructuring expenses incurred for prepayment as well as availing fresh loans. The Petitioner submitted the requisite information through its submission vide M.A. No. 215 of 2008 dated 7 October, 2008.
- 4.24 The Commission after scrutinizing the latest submission directed the Petitioner vide letter no. HPERC/D(TE)477-VOL-II/2008-3067 dated 15 November, 2008 to submit further information missing from the submission dated 7 October 2008. The Petitioner submitted the required information through submission vide M.A. No. 247 of 2008 dated 25 November, 2008.
- 4.25 The Petitioner on 18 December, 2008 submitted a set of information, revising and updating certain information which was submitted to the Commission earlier through submission dated 18 August 2008, 7 October 2008 and 25 November 2008. The Commission took the submission on record and raised an additional set of queries vide letter no. HPERC/D(TE) 477 Vol-III/2008-3631 date 26 December, 2008. The Petitioner submitted the required information through submission vide M.A. No. 02 of 2009 dated 20 January, 2009.
- 4.26 Faced with multiple submission and sets of information, which at times, the Commission found, were not consistent with previous submission, the Commission decided it was best to hold a two day technical validation session with the Petitioner to clarify the matter. The technical validation session was scheduled for 22 and 23 of January, 2009 at the Commission's office and attended by the representatives of the Petitioner, the Commission and the Commission's appointed consultants.
- 4.27 During the validation session, most of the issues were sorted out, a few which remained were raised to the Petitioner through Commission's letter no(s). HPERC/477 Vol-III/Dir(TE)/NG/2008-3520 dated 24 January, 2009 and HPERD/477 Vol-III/Dir(TE)/NG/2008-3531 dated 27 January, 2009. The Petitioner submitted the information through submission vide M.A. No. 07 of 2009 dated 4 February, 2009 and further submission made vide M.A. No 16 of 2009 dated 26 February 2009.
- 4.28 The Commission discovered certain errors in the calculations submitted by the

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applicant in its latest submission and directed him vide letter No. HPERC) 477-VOL-IV/ ED(TA)/NG/2008-4107 dated 6 March, 2009 to submit further information. The Petitioner submitted the information through submission vide M.A. No 45 of 2009 dated 16 March 2009.

- 4.29 Based on the various submissions of the Petitioner duly supported by documentary evidence, the rates of interest charged by the institutions and bank during the period FY04 to FY08 and considered by the Commission for true up are tabulated below:

**Table 22: Institution/ Bank Wise Rate of Interest**

Loan	Applicable Rate of Interest		
	p.a.	From	To
<b>IDBI</b>	18.50%	1-Apr-03	31-Dec-03
	10.50%	1-Jan-04	Till Date
<b>PFC*</b>	16.84%	1-Apr-03	31-Mar-04
	16.19%	1-Apr-04	31-Mar-06
	16.84%	1-Apr-06	14-Oct-08
	10.50%* Revised	15-Oct-04	31-Mar-06
	11.15%* Revised	1-Apr-06	14-Oct-07
	13.15%* Revised	15-Oct-07	Till Date
<b>IFCI Deb/ UTI Bank</b>	17.30%	1-Apr-03	11-Aug-04
	10.00%	12-Aug-04	Till Date
<b>IIBI</b>	18.50%	1-Apr-03	31-Mar-05
	10.50%	1-Apr-05	Till Date
<b>ICICI NCD</b>	17.64%	1-Apr-03	14-Sep-03
	12.50%	15-Sep-03	31-Dec-03
	10.50%	1-Jan-04	14-Jun-05
	8.50%	15-Jun-05	14-Jun-08
	13.15%	15-Jun-08	Till Date
<b>LIC</b>	17.38%	1-Apr-03	31-Dec-03
	10.50%	1-Jan-04	Till Date
<b>Bank of Baroda</b>	15.50%	1-Apr-03	30-Jun-03
	14.25%	1-Jul-03	31-Dec-03
	10.50%	1-Jan-04	30-Apr-06
	11.00%	1-May-06	31-Jul-06
	11.50%	1-Aug-06	31-Dec-06
	12.00%	1-Jan-07	14-Feb-07
	12.50%	15-Feb-07	4-Apr-07
	13.25%	5-Apr-07	31-Jul-07
	10.50%	1-Aug-07	31-Jul-08
11.75%	1-Aug-08	Till Date	

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Loan	Applicable Rate of Interest		
	p.a.	From	To
<b>Punjab National Bank</b>	15.25%	1-Apr.-03	31-May-03
	15.00%	1-Jun-03	31-Dec-03
	10.50%	1-Jan-04	31-Jul-06
	11.25%	1-Aug-06	28-Nov-06
	10.50%	29-Nov-06	Till Date
<b>Indian Overseas Bank</b>	15.50%	1-Apr-03	30-Jun-03
	14.75%	1-Jul-03	31-Dec-03
	14.00%	1-Jan-04	30-Jun-04
	11.00%	1-Jul-04	31-Aug-04
	10.50%	1-Sep-04	31-Dec-06
	11.50%	1-Jan-07	14-Feb-07
	12.00%	15-Feb-07	8-Apr-07
	12.75%	9-Apr-07	31-Aug-08
	10.50%	1-Sep-08	31-Mar-10
	10.50% * Revised	1-Jan-04	31-Dec-06
	10.50% * Revised	1-Apr-07	31-Mar-10
<b>Central Bank of India</b>	14.50%	1-Apr-03	31-Dec-03
	14.00%	1-Jan-04	30-Sep-04
	10.50%	1-Oct-04	21-Jan-07
	11.00%	22-Jan-07	28-Feb-07
	11.50%	1-Mar-07	25-Apr-07
	12.00%	26-Apr-07	28-Mar-08
	11.00%	29-Mar-08	6-Jun-08
<b>State Bank of Indore</b>	13.75%	1-Apr-03	28-Jul-03
	13.50%	29-Jul-03	31-Dec-03
	10.50%	1-Jan-04	23-May-06
	11.00%	24-May-06	11-Apr-07
	11.50%	12-Apr-07	31-Mar-08
	10.50% * Revised	1-Apr-07	31-Mar-10
<b>State Bank of Patiala</b>	13.35%	1-Apr-03	30-Jun-03
	13.10%	1-Jul-03	30-Sep-04
	10.50%	1-Oct-04	30-Apr-06
	11.00%	1-May-06	31-July-06
	11.25%	1-Aug-06	26-Dec-06
	11.75%	27-Dec-06	18-Feb-07
	12.50%	19-Feb-07	9-Apr-07
	13.00%	10-Apr-07	18-May-08
<b>State Bank of Mysore</b>	14.00%	1-Apr-03	31-Dec-03

Loan	Applicable Rate of Interest		
	p.a.	From	To
	10.50%	1-Jan-04	21-May-06
	11.00%	22-May-06	27-Dec-06
	11.50%	28-Dec-06	15-Feb-07
	12.00%	16-Feb-07	9-Apr-07
	12.75%	10-Apr-07	9-Aug-08
	13.75%	10-Aug-08	09-Nov-08
	13.00%	10-Nov-08	13-Dec-08
	10.50%* Revised	1-Jan-04	23-May-06
	10.50%* Revised	1-Apr-07	31-Mar-10
<b>State Bank of Travancore</b>	13.75%	1-Apr-03	18-May-03
	13.50%	19-May-03	31-Dec-03
	10.50%	1-Jan-04	30-Jun-06
	11.00%	1-Jul-06	31-Dec-06
	11.50%	1-Jan-07	14-Feb-07
	12.00%	15-Feb-07	8-Apr-07
	12.50%	9-Apr-07	15-May-08
<b>State Bank of Hyderabad</b>	14.00%	1-Apr-03	30-May-03
	13.75%	1-Jun-03	31-Dec-03
	10.50%	1-Jan-04	30-Apr-06
	11.00%	1-May-06	28-Dec-06
	11.50%	29-Dec-06	18-Feb-07
	12.00%	19-Feb-07	11-Apr-07
	12.50%	12-Apr-07	2-Jul-08
	13.00%	3-Jul-08	3-Aug-08
	13.50%	4-Aug-08	12-Oct-08
	14.00%	13-Oct-08	9-Nov-08
13.25%	10-Nov-08	Till Date	

\* The treatment of revised RoI has been discussed in detail under respective loans later.

- 4.30 For the foreign currency loans (FCL) for which the interest rates are pegged w.r.t the LIBOR rates, the Commission has considered the LIBOR rates for calculation of the interest charges as per the provision of the respective loan agreements. The interest charges calculated for the FCL are inclusive of the payment guarantee commission (PGC) due to PFC and the service tax on PGC (from the year applicable). The interest rates considered for FCL are tabulated below:

**Table 23: Interest Rates for FCL**

Loan	Applicable Rate of Interest	
	p.a	Period
Credit Lyonnais Loan	7.26%*	FY04
	7.42%	FY05 & FY06
	7.46%	FY07 onwards
Hypo Bank & VA Tech	3.25%*	FY04 H1
	3.02%*	FY04 H2
	3.43%	FY05 H1
	4.19%	FY05 H2
	5.17%	FY06 H1
	6.14%	FY06 H2
	7.04%	FY07 H1
	7.85%	FY07H2
	7.70%	FY08 H1
	7.67%	FY08 H2
	5.45%	FY09
	3.97%	FY10
	3.97%	FY11
IDBI FCL	5.79%	FY04 Q1
	5.61%	FY04 Q2
	5.66%	FY04 Q3
	5.66%	FY04 Q4
	5.61%	FY05 Q1
	6.10%	FY05 Q2
	6.51%	FY05 Q3
	7.06%	FY05 Q4
	7.60%	FY06 Q1
	8.00%	FY06 Q2
	8.55%	FY06 Q3
	9.03%	FY06 Q4
	9.49%	FY07 Q1
	10.01%	FY07 Q2
	9.87%	FY07 Q3
	9.86%	FY07 Q4
	9.85%	FY08 Q1
	9.86%	FY08 Q2
	9.73%	FY08 Q3
	9.23%	FY08 Q4
7.20%	FY09 Q1	
7.29%	FY09 Q2	

Loan	Applicable Rate of Interest	
	p.a	Period
	8.38%	FY09 Q3
	5.94%	FY09 Q4
	5.94%	FY10
	5.94%	FY11

\* service tax not levied.

- 4.31 The revision of repayment period for various loans as submitted by the Petitioner and considered by the Commission for true up of the period FY04 to FY08 and the Control Period is given below:

**Table 24: Revised Repayment Schedule**

Loan	Number of Installments
IDBI	44
PFC	39
IFCI Deb/ UTI Bank	32
IIBI	48
ICICI NCD	44
LIC	44
Bank of Baroda	44
Punjab National Bank	44
Indian Overseas Bank	44
Central Bank of India	44
State Bank of Indore	44
State Bank of Patiala	44
State Bank of Mysore	44
State Bank of Travancore	44
State Bank of Hyderabad	44
Credit Lyonnais Loan	24
Hypo Bank	24
VA Tech	24
IDBI FCL	40

- 4.32 In the paragraphs below, the Commission details the various loans and the true up of the interest charges for the period FY04 to FY08.

#### **IDBI Loan**

- 4.33 As per the loan documents submitted by the Petitioner, Rs 74.00 Cr had been drawn from the bank at an interest rate of 18.50% for a period of 10 years with quarterly repayments. The Commission in the Tariff Order dated 24 February, 2007 had considered a loan amount of Rs 84.96 Cr at a restructured interest rate of 10.50% and loan tenure of 11 years with 44 quarterly principal repayments.

- 4.34 The Petitioner in the Review Petition No.75/2007 had prayed that the Commission approve the actual loan amount of Rs 74.00 Cr drawn from IDBI. The Commission in its order on the review petition clarified that the amount considered for drawal from IDBI in Indian Rupees included the amount for the foreign currency loan as well. The issue was disposed to the satisfaction of the Petitioner.
- 4.35 The Commission in this order has recomputed and trued up the principal repayment and interest charges for the period FY04 to FY08 based on the information contained in the Petitioner's submissions dated 18 August 2008, 7 October 2008, 18 December 2008, 21 October 2008, 25 November 2008, 20 January 2009, 4 February 2009, 26 February 2009 and 16 March 2009.
- 4.36 The details of the loan considered by the Commission for true up are tabulated below:

**Table 25: IDBI Bank Loan Details**

Particulars	
Sanctioned amount as per loan document	Rs 75.00 Cr
Loan amount considered by Commission for tariff determination	Rs 84.96 Cr
Original loan repayment installments/ No of years	40 / 10
Revised loan repayment installments / No of Years	44/ 11
Yearly Installment	4
Principal Installment Payment dates	1 July, 1 Aug, 1 Sep, 1 Oct
Principal Repayment Started from	1 July 2005
Applicable Interest Rate	18.50% p.a. upto 31.12.2003
Revised Interest Rate	10.50% p.a. from 01.01.2004
Interest Payment Schedule	Monthly

- 4.37 Based on the above, the Commission approves the following principal repayment and interest charges for the pervious tariff period (FY04-FY08):

**Table 26: Trued Up IDBI Bank Loan Repayment and Interest (Rs Cr)**

Loan	True Up				
	FY04	FY05	FY06	FY07	FY08
Opening Balance	84.96	84.96	84.96	77.24	69.51
Addition	0.00	0.00	0.00	0.00	0.00
Principal Repayment	0.00	0.00	7.72	7.72	7.72
Closing Balance	84.96	84.96	77.24	69.51	61.79
Interest Payment	14.03	8.92	8.41	7.60	6.79

### **Power Finance Corporation Loan**

- 4.38 As per the loan documents submitted by the Petitioner, Rs 170.00 Cr had been sanctioned by Power Finance Corporation (PFC) and an amount of Rs 165.75 Cr had been drawn at an interest rate of 16.84% for a period of 10 years with quarterly repayments. The Commission in the Tariff Order dated 24 February, 2007 had



considered a loan amount of Rs 165.75 Cr at an interest rate of 16.84% for a period of 11 years with 44 quarterly principal repayments.

- 4.39 The Petitioner in its submission dated 18 August, 2008 submitted that the loan repayment installment has been revised to 39 installments from 40 installments as originally set out in the loan agreement.
- 4.40 Further, the Petitioner through its additional submission dated 7 October, 2008, has submitted that PFC had agreed to revise the rate of interest from 16.84% to 10.50% w.e.f 15 October 2004 and 13.15% w.e.f 15 October 2007, but did not effect the same. Based on the letter received from PFC for the said realignment of rate of interest, the Petitioner in its Annual Accounts for FY06 had provided for interest at the rate of 10.50% by creating receivables, which was reversed in the annual accounts of the next financial year FY07. The Petitioner has submitted that it has been and is paying interest to PFC at 16.84% p.a. right from the COD of the project i.e. June 2003 onwards.
- 4.41 The Petitioner in its submission dated 18 December, 2008, submitted that PFC has given effect to the realignment of interest rate at 10.50% from 15 October, 2004 to 31 March, 2005, 11.15% from 1 April 2005 to 14 October, 2007 and 13.15% p.a. w.e.f from 15 October, 2007 and has charged an interest restructuring premium of Rs 5.94 Cr.
- 4.42 The Commission directed the Petitioner to provide documentary evidence in support of realignment of interest rates and the details of calculation in respect of the interest restructuring premium, which the Petitioner submitted through its submission dated 20 January 2009 and 4 February, 2009.
- 4.43 PFC in its letter dated 6 January, 2009, submitted by the Petitioner through its submission dated 20 January, 2009, has stated that the excess interest paid by JHPL to PFC after adjustment of the interest restructuring premium of Rs 5.94 Cr will be adjusted from the future demand of JHPL and has provided the schedule in which the adjustment will take place.
- 4.44 In the interaction with the Commission on 20 February 2009, the Petitioner informed the Commission that applicable interest rate on PFC loan for period 1 April 2004 – 31 March 2006 was 16.19% on account of concession in income tax received by PFC. As the concession was withdrawn from 1 April 2006, the rate was again revised to 16.84%
- 4.45 The Commission based on the information contained in the Petitioner's submissions has considered the interest rate at 16.84% for the period 1 April 2003 – 31 March 2004, 16.19% for the period 1 April 2004 – 31 March 2006, 16.84% for the period 1 April 2006 – 14 Oct 2008 and 13.15% for period 15 Oct 2008 onwards and has adjusted the interest refunded as per the schedule provided by PFC as per the reset interest rate against the future interest payable by the Petitioner.
- 4.46 The Commission has recomputed and true up the interest charges for the period FY04 to FY08. The details of the loan considered by the Commission for true up are

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tabulated below:

**Table 27: PFC Loan Details**

Particulars	
Sanctioned amount as per loan document	Rs 170.00 Cr
Loan amount considered by Commission for tariff determination	Rs 165.75 Cr
Original loan repayment installments/ Years	40/10
Revised loan repayment installments/ Years	39/10
Yearly Installment	4
Principal Installment Payment dates	15 July, 15 Aug, 15 Sep, 15 Oct
Principal Repayment Started from	15 July 2005
<b>Applicable Interest Rate</b>	<b>Reset Interest Rate</b>
16.84% 01.04.2003 to 31.03.2004	16.84% 01.04.2003 to 31.03.2004
16.19% 01.04.2004 to 31.03.2005	16.19% 01.04.2004 to 31.03.2005
16.19% 01.04.2005 to 31.03.2006	10.50% 15.10.2004 to 31.03.2005
16.84% 01.04.2006 to 31.03.2007	10.50% 01.04.2005 to 31.03.2006
16.84% 01.04.2007 to 31.03.2008	11.15% 01.04.2006 to 31.03.2007
16.84% 01.04.2008 to 14.10.2008	11.15% 01.04.2007 to 14.10.2007
13.15% 15.10.2008 onwards	13.15% 15.10.2007 onward
Interest Payment Schedule	Monthly

4.47 Based on the above, the Commission approves the following principal repayment and interest charges for the previous tariff period (FY04-FY08):

**Table 28: Trued Up PFC Loan Repayment and Interest (Rs Cr)**

Loan	True Up				
	FY04	FY05	FY06	FY07	FY08
Opening Balance	165.75	165.75	165.75	148.75	131.75
Addition	0.00	0.00	0.00	0.00	0.00
Principal Repayment	0.00	0.00	17.00	17.00	17.00
Closing Balance	165.75	165.75	148.75	131.75	114.75
Interest Payment	27.91	26.83	25.22	23.37	20.51

### **IFCI Debentures/ UTI Bank Loan**

4.48 As per the information submitted through the tariff petition and the loan documents, the Petitioner has originally availed and got sanctioned a loan for Rs 150 Cr from IFCI Bank in the form of Non Convertible Debentures (NCDs) carrying an interest rate of 17.30% with 40 quarterly principal repayments.

4.49 The Petitioner submitted that in 2004 it has swapped the IFCI NCD with Rs 174.00 Cr of NCDs from UTI Bank carrying a rate of interest of 10.00% with 32 quarterly principal repayments.

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- 4.50 The Commission in the Tariff Order dated 24 February, 2007 had considered a loan amount of Rs 136.22 Cr at a restructured interest rate of 10.00% and loan tenure of 8 years with 32 principal repayment installments with repayment starting from 15 July 2005.
- 4.51 The Petitioner in its submission during the MYT petition informed the Commission about the extension of moratorium period by UTI/Axis Bank and the repayment starting from 15 July 2008, in 32 repayment installments.
- 4.52 Based on the latest submission of the Petitioner, the Commission has considered the swapped UTI NCD of Rs 136.22 Cr at a restructured interest rate and loan tenure of 8 years with 32 quarterly principal repayments.
- 4.53 The Commission has trued up the interest charges for the period FY04 to FY08 based on the information submitted by the Petitioner. The details of the loan considered by the Commission for true up are tabulated below:

**Table 29: IFCI NCDs/ UTI Bank NCD Loan Details**

Particulars	
Sanctioned amount as per loan document (IFCI NCDs)	Rs 150.00 Cr
Applicable Interest Rate	17.30%
Loan repayment installments/No of Years	40/10
Swapped amount as per loan document (UTI Bank NCDs)	Rs 174.00 Cr
Applicable Interest Rate	10.00%
Loan repayment installments/No of Years	32/8
Loan amount considered by Commission for tariff determination	Rs 136.22 Cr
Loan repayment installments/No of Years	32/8
Applicable Interest Rate	17.30% p.a. upto 11.08.2004
Yearly Installments	4
Principal Installment Payment dates	15 July, 15 Aug, 15 Sep, 15 Oct
Principal Repayment Started from	15 July 2008
Revised Interest Rate	10.00% p.a. from 12.08.2004
Interest Payment Schedule	Monthly

- 4.54 Based on the above, the Commission approves the following principal repayment and interest charges for the pervious tariff period (FY04-FY08):

**Table 30: Trued Up IFCI NCDs/ UTI Bank NCD Repayment and Interest (Rs Cr)**

Loan	True Up				
	FY04	FY05	FY06	FY07	FY08
Opening Balance	136.22	136.22	136.22	136.22	136.22
Addition	0.00	0.00	0.00	0.00	0.00
Principal Repayment	0.00	0.00	0.00	0.00	0.00
Closing Balance	136.22	136.22	136.22	136.22	136.22
Interest Payment	23.57	17.25	13.62	13.62	13.62

**IIBI Loan**

- 4.55 As per the loan documents submitted by the Petitioner, Rs 13.65 Cr have been drawn from the bank at an interest rate of 18.50% for a period of 10 years with quarterly repayments. The Commission in the Tariff Order dated 24 February, 2007 had approved a loan amount of Rs 13.65 Cr at a restructured interest rate of 10.50% and loan tenure of 11 years with 44 quarterly principal repayments.
- 4.56 The Petitioner in its submission dated 18 August, 2008 has submitted that the interest rate for the loan has been revised to 10.50% w.e.f 1 April 2005 and 48 quarterly repayments.
- 4.57 The Commission has trued up the principal repayment and interest charges for the period FY04 to FY08 based on the information submitted by the Petitioner. The details of the loan considered by the Commission for true up are tabulated below:

**Table 31: IIBI Bank Loan Details**

Particulars	
Sanctioned amount as per loan document	Rs 15.00 Cr
Loan amount drawn by the Petitioner	Rs 13.65 Cr
Loan amount considered by Commission for tariff determination	Rs 13.65 Cr
Original loan repayment installments/ No of Years	40/10
Revised loan repayment installments/No of Years	48/12
Yearly Installments	4
Principal Installment Payment dates	1 July, 1 Aug, 1 Sep, 1 Oct
Principal Repayment Started from	1 July 2005
Applicable Interest Rate	18.50% p.a. upto 31.03.2005
Revised Interest Rate	10.50% p.a. from 01.04.2005
Interest Payment Schedule	Monthly

- 4.58 Based on the above, the Commission approves the following principal repayment and interest charges for the pervious tariff period (FY04-FY08):

**Table 32: Trued Up IIBI Bank Loan Repayment and Interest (Rs Cr)**

Loan	True Up				
	FY04	FY05	FY06	FY07	FY08
Opening Balance	13.65	13.65	13.65	12.51	11.37
Addition	0.00	0.00	0.00	0.00	0.00
Principal Repayment	0.00	0.00	1.14	1.14	1.14
Closing Balance	13.65	13.65	12.51	11.37	10.24
Interest Payment	2.53	2.53	1.36	1.24	1.12

**ICICI Bank Non Convertible Debentures**

- 4.59 As per the information submitted through the tariff petition and the loan documents, the Petitioner has originally availed and got sanctioned a loan for Rs 150.00 Cr from ICICI Bank in the form of Non Convertible Debentures (NCDs) with 40 quarterly repayments.
- 4.60 The Commission in its Tariff Order dated 24 February, 2007 had considered a loan amount of Rs 150.00 Cr at an interest rate of 10.50% and loan tenure of 11 years with 44 quarterly principal repayments.
- 4.61 The Petitioner in its submissions dated 18 August 2008, 7 October 2008, 18 December 2008, 20 January 2009 and 4 February 2009, submitted that the bank through its letter dated 7 November 2003 had reduced the interest rate from 17.64% to 12.50% applicable from 15 September 2003, which was further reduced to 10.50% w.e.f 1 January 2004. The bank further reduced the interest rate to 8.50% w.e.f 15 June 2005. The bank informed the Petitioner through its email dated 13 June 2008, that the interest rate was reset to 13.15% from 15 June 2008.
- 4.62 The Commission has trued up the principal repayment and interest charges for the period FY04 to FY08 based on the information submitted by the Petitioner. The details of the loan considered by the Commission for true up are tabulated below:

**Table 33: ICICI Bank NCDs Details**

<b>Particulars</b>	
Sanctioned amount as per loan document	Rs 150.00 Cr
Loan amount drawn by the Petitioner	Rs 150.00 Cr
Loan amount considered by Commission for tariff determination	Rs 150.00 Cr
Original loan repayment installments/ No of Years	40/10
Revised loan repayment installments/ No of Years	44/11
Yearly Installments	4
Principal Installment Payment dates	15 July, 15 Aug, 15 Sep, 15 Oct
Principal Repayment Started from	15 July 2005
Applicable Interest Rate	17.64% p.a. upto 14.09.2003
Revised Interest Rate	12.50% p.a. w.e.f 15.09.2003
Revised Interest Rate	10.50% p.a. w.e.f 01.01.2004
Revised Interest Rate	8.50% p.a. w.e.f 15.06.2005
Revised Interest Rate	13.15% p.a. w.e.f 15.06.2008
Interest Payment Schedule	Monthly

- 4.63 Based on the above, the Commission approves the following principal repayment and interest charges for the previous tariff period (FY04-FY08):

**Table 34: Trued Up ICICI Bank NCDs Repayment and Interest (Rs Cr)**

Loan	True Up				
	FY04	FY05	FY06	FY07	FY08
Opening Balance	150.00	150.00	150.00	136.36	122.73
Addition	0.00	0.00	0.00	0.00	0.00
Principal Repayment	0.00	0.00	13.64	13.64	13.64
Closing Balance	150.00	150.00	136.36	122.73	109.09
Interest Payment	21.52	15.75	12.43	10.91	9.75

**LIC Loan**

- 4.64 As per the information submitted through the tariff petition and the loan documents, the Petitioner has originally availed and got sanctioned a loan for Rs 15.00 Cr from LIC carrying an interest rate of 17.38% with 40 quarterly repayments.
- 4.65 The Commission in its Tariff Order dated 24 February, 2007 had considered a loan amount of Rs 15.00 Cr at a restructured interest rate of 10.50% and loan tenure of 11 years with 44 quarterly principal repayments.
- 4.66 The Petitioner in its submissions dated 18 August 2008, submitted that LIC through its letter dated 14 June 2004 had reduced the interest rate from 17.38% to 10.50% applicable from 1 January 2004.
- 4.67 The Commission has trued up the principal repayment and interest charges for the period FY04 to FY08 based on the information submitted by the Petitioner. The details of the loan considered by the Commission for true up are tabulated below:

**Table 35: LIC Loan Details**

Particulars	
Sanctioned amount as per loan document	Rs 15.00 Cr
Loan amount drawn by the Petitioner	Rs 15.00 Cr
Loan amount considered by Commission for tariff determination	Rs 15.00 Cr
Original loan repayment installments/No of Years	40/10
Revised loan repayment installments/No of Years	44/11
Yearly Installments	4
Principal Installment Payment dates	15 July, 15 Aug, 15 Sep, 15 Oct
Principal Repayment Started from	15 July 2005
Applicable Interest Rate	17.38% p.a. upto 31.12.2003
Revised Interest Rate	10.50% p.a. w.e.f 01.01.2004
Interest Payment Schedule	Monthly

- 4.68 Based on the above, the Commission approves the following principal repayment and interest charges for the previous tariff period (FY04-FY08):

**Table 36: Trued Up LIC Loan Repayment and Interest (Rs Cr)**

Loan	True Up				
	FY04	FY05	FY06	FY07	FY08
Opening Balance	15.00	15.00	15.00	13.64	12.27
Addition	0.00	0.00	0.00	0.00	0.00
Principal Repayment	0.00	0.00	1.36	1.36	1.36
Closing Balance	15.00	15.00	13.64	12.27	10.91
Interest Payment	2.35	1.58	1.49	1.35	1.20

**Bank of Baroda Loan**

- 4.69 As per the information submitted through the tariff petition and the loan documents, the Petitioner has originally availed and got sanctioned a loan for Rs 50.00 Cr carrying an interest rate of 16.00% with 40 quarterly repayments.
- 4.70 The Commission in its Tariff Order dated 24 February, 2007 had considered a loan amount of Rs 50.00 Cr at a restructured interest rate of 10.50% and loan tenure of 11 years with 44 quarterly principal repayments. The Commission has also considered the ballooning effect as agreed by Bank of Baroda, where Rs 37.50 Cr (Rs 4.17 Cr per year) has to be repaid in first 9 years, Rs 5 Cr in 10<sup>th</sup> year and Rs 7.50 Cr in 11<sup>th</sup> year.
- 4.71 The Petitioner in its submissions dated 18 August 2008, 7 October 2008, 18 December 2008, 20 January 2009 and 4 February 2009, submitted that the bank charged interest at the following rates.
- (a) @ 15.50% p.a. w.e.f 1 April, 2003 to 30 June 2003,
  - (b) @ 14.25% p.a. w.e.f 1 July, 2003 to 31 December, 2003
  - (c) @ 10.50% p.a. w.e.f 1 January, 2004 to 30 April, 2006
  - (d) @ 11.00% p.a. w.e.f 1 May, 2006 to 31 July, 2006
  - (e) @ 11.50% p.a. w.e.f 1 August, 2006 to 31 December, 2006
  - (f) @ 12.00% p.a. w.e.f 1 January, 2007 to 14 February, 2007
  - (g) @ 12.50% p.a. w.e.f 15 February, 2007 to 4 April, 2007
  - (h) @ 13.25% p.a. w.e.f 5 April, 2007 to 31 July, 2007
  - (i) @ 10.50% p.a. w.e.f 1 August, 2007 to 31 July, 2008
- 4.72 The Commission has trued up the principal repayment and interest charges for the period FY04 to FY08 based on the information submitted by the Petitioner. The details of the loan considered by the Commission for true up are tabulated below:

**Table 37: Bank of Baroda Loan Details**

Particulars	
Sanctioned amount as per loan document	Rs 50.00 Cr
Loan amount drawn by the Petitioner	Rs 50.00 Cr
Loan amount considered by Commission for tariff determination	Rs 50.00 Cr
Original loan repayment installments/No of Years	40/10
Revised loan repayment installments/No of Years	44/11
Yearly Installments	4
Principal Installment Payment dates	15 July, 15 Aug, 15 Sep, 15 Oct
Principal Repayment Started from	15 July 2005
Applicable Interest Rate	15.50 % Upto 30.06.2003
Revised Interest Rate	14.25% w.e.f 01.07.2003
Revised Interest Rate	10.50% w.e.f 01.01.2004
Revised Interest Rate	11.00% w.e.f 01.05.2006
Revised Interest Rate	11.50% w.e.f 01.08.2006
Revised Interest Rate	12.00% w.e.f 01.01.2007
Revised Interest Rate	12.50% w.e.f 15.02.2007
Revised Interest Rate	13.25% w.e.f 05.04.2007
Revised Interest Rate	10.50% w.e.f 01.08.2007
Interest Payment Schedule	Monthly

- 4.73 Based on the above, the Commission approves the following principal repayment and interest charges for the previous tariff period (FY04-FY08):

**Table 38: Trued Up BoB Loan Repayment and Interest (Rs Cr)**

Loan	True Up				
	FY04	FY05	FY06	FY07	FY08
Opening Balance	50.00	50.00	50.00	45.83	41.67
Addition	0.00	0.00	0.00	0.00	0.00
Principal Repayment	0.00	0.00	4.17	4.17	4.17
Closing Balance	50.00	50.00	45.83	41.67	37.50
Interest Payment	6.81	5.25	4.99	4.97	4.50

### **Punjab National Bank Loan**

- 4.74 As per the information submitted through the tariff petition and the loan documents, the Petitioner has originally availed and got sanctioned a loan for Rs 50.00 Cr carrying an interest rate of 16.00% with 40 quarterly repayments.
- 4.75 The Commission in its Tariff Order dated 24 February, 2007 had considered a loan amount of Rs 49.41 Cr at a restructured interest rate of 10.50% and loan tenure of 11 years with 44 quarterly principal repayments.



4.76 The Petitioner in its submissions dated 18 August 2008, 7 October 2008, 18 December 2008, 20 January 2009 and 4 February 2009, submitted that the bank charged interest at the following rates.

- (a) @ 15.25% p.a. w.e.f 1 December, 2002 to 31 May 2003
- (b) @ 15.00% p.a. w.e.f 1 June, 2003 to 31 December, 2003
- (c) @ 10.50% p.a. w.e.f 1 January, 2004 to 31 July, 2006
- (d) @ 11.25% p.a. w.e.f 1 August, 2006 to 28 November, 2006
- (e) @ 10.50% p.a. w.e.f 29 November, 2006 till date

4.77 The Commission has trued up the principal repayment and interest charges for the period FY04 to FY08 based on the information submitted by the Petitioner. The details of the loan considered by the Commission for true up are tabulated below:

**Table 39: Punjab National Bank Loan Details**

Particulars	
Sanctioned amount as per loan document	Rs 50.00 Cr
Loan amount drawn by the Petitioner	Rs 49.41 Cr
Loan amount considered by Commission for tariff determination	Rs 49.41 Cr
Original loan repayment installments/No of Years	40/10
Revised loan repayment installments/No of Years	44/11
Yearly Installments	4
Principal Installment Payment dates	15 July, 15 Aug, 15 Sep, 15 Oct
Principal Repayment Started from	15 July 2005
Applicable Interest Rate	15.25% Upto 31.05.2003
Revised Interest Rate	15.00% w.e.f 01.06.2003
Revised Interest Rate	10.50% w.e.f 01.01.2004
Revised Interest Rate	11.25% w.e.f 01.08.2006
Revised Interest Rate	10.50% w.e.f 29.11.2006
Interest Payment Schedule	Monthly

4.78 Based on the above, the Commission approves the following principal repayment and interest charges for the previous tariff period (FY04-FY08):

**Table 40: Trued Up PNB Loan Repayment and Interest (Rs Cr)**

Loan	True Up				
	FY04	FY05	FY06	FY07	FY08
Opening Balance	49.41	49.41	49.41	44.92	40.43
Addition	0.00	0.00	0.00	0.00	0.00

Loan	True Up				
	FY04	FY05	FY06	FY07	FY08
Principal Repayment	0.00	0.00	4.49	4.49	4.49
Closing Balance	49.41	49.41	44.92	40.43	35.93
Interest Payment	6.88	5.19	4.91	4.54	3.97

**Indian Overseas Bank Loan**

- 4.79 As per the information submitted through the tariff petition and the loan documents, the Petitioner has originally availed and got sanctioned a loan for Rs 50.00 Cr carrying an interest rate of 16.00% with 40 quarterly repayments.
- 4.80 The Commission in its Tariff Order dated 24 February, 2007 had considered a loan amount of Rs 50.00 Cr at a restructured interest rate of 10.50% and loan tenure of 11 years with 44 quarterly principal repayments.
- 4.81 As per the submission of the Petitioner dated 20 January, 2009; the bank charged interest
- (a) @ 15.50% p.a. w.e.f 1 April, 2003 to 30 June 2003,
  - (b) @ 14.75% p.a. w.e.f 1 July, 2003 to 31 December, 2003,
  - (c) @ 14.00% p.a. w.e.f 1 January, 2004 to 30 June, 2004,
  - (d) @ 11.00% p.a. w.e.f 1 July, 2004 to 31 August, 2004 and
  - (e) @ 10.50% p.a. w.e.f 1 September, 2004 onwards
- 4.82 The Petitioner submitted that the bank through bank's letter dated 29 June 2005, had reset the interest rate @ 10.50% effective from 1 January, 2004 instead of 1 September, 2004 and the excess interest paid during the period (8 months) which amounted to Rs 91.48 lakhs was adjusted by the bank against the future interest to be serviced by the Petitioner, spread over a period of 8 months, starting 31 August 2005.
- 4.83 The bank through its respective letters dated 6 January, 2007, 17 February 2007, and 99 April, 2007 had revised and charged the interest rate
- (a) @ 11.50% p.a. w.e.f 1 January, 2007 to 14 February, 2007
  - (b) @ 12.00% p.a. w.e.f 15 February, 2007 to 8 April, 2007
  - (c) @ 12.75% p.a. w.e.f 9 April, 2007 onwards
- 4.84 The bank through its letter dated 24 March 2008, reset the interest rate
- (a) @ 10.50% p.a. to be charged from 1 April 2007 till 31 March 2010.

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- 4.85 The excess interest amounting to Rs 11.48 lakhs, charged extra during the period from 1 April 2007 to 31 August 2008 shall be refunded by adjusting against the future interest to be recovered starting 31 July 2008. The Petitioner in its submission dated 4 February, 2009 has provided the details of the excess interest refunded by the bank.
- 4.86 The Commission for calculating the interest charge against the outstanding loan, has considered the actual interest rates applicable for the relevant period, prior to the reset, and has adjusted the interest refund amount against the future interest to be serviced by the Petitioner as carried out by the bank.
- 4.87 The Commission has trued up the principal repayment and interest charges for the period FY04 to FY08 based on the information submitted by the Petitioner. The details of the loan considered by the Commission for true up are tabulated below:

**Table 41: Indian Overseas Bank Loan Details**

Particulars	
Sanctioned amount as per loan document	Rs 50.00 Cr
Loan amount drawn by the Petitioner	Rs 50.00 Cr
Loan amount considered by Commission for tariff determination	Rs 50.00 Cr
Original loan repayment installments/No of Years	40/10
Revised loan repayment installments/No of Years	44/11
Yearly Installments	4
Principal Installment Payment dates	15 July, 15 Aug, 15 Sep, 15 Oct
Principal Repayment Started from	15 July 2005
<b>Actual Interest Rate</b>	<b>Reset Interest Rate</b>
15.50% 01.01.2003 to 30.06.2003	15.50% 01.01.2003 to 30.06.2003
14.75% 01.07.2003 to 31.12.2003	14.75% 01.07.2003 to 31.12.2003
14.00% 01.01.2004 to 30.06.2004	10.50% 01.01.2004 to 31.12.2006
11.00% 01.07.2004 to 31.08.2004	
10.50% 01.09.2004 to 31.12.2006	
11.50% 01.01.2007 to 14.02.2007	11.50% 01.01.2007 to 14.02.2007
12.00% 15.02.2007 to 08.04.2007	12.00% 15.02.2007 to 31.03.2007
12.75% 09.04.2007 to 31.08.2008	10.50% 01.04.2007 to 31.03.2010
10.50% 01.09.2008 to 31.03.2010	
Interest Payment Schedule	Monthly

- 4.88 Based on the above, the Commission approves the following principal repayment and interest charges for the previous tariff period (FY04-FY08):

**Table 42: Trued Up IOB Loan Repayment and Interest (Rs Cr)**

Loan	True Up				
	FY04	FY05	FY06	FY07	FY08
Opening Balance	50.00	50.00	50.00	45.45	40.91

Loan	True Up				
	FY04	FY05	FY06	FY07	FY08
Addition	0.00	0.00	0.00	0.00	0.00
Principal Repayment	0.00	0.00	4.55	4.55	4.55
Closing Balance	50.00	50.00	45.45	40.91	36.36
Interest Payment	7.38	5.73	4.06	4.62	4.87
Interest Refund*	0.00	0.00	0.91	0.00	0.00

\* Interest Refund has been subtracted from Interest Payable and considered while arriving at Interest Payment shown above

**Central Bank of India Loan**

- 4.89 As per the information submitted through the tariff petition and the loan documents, the Petitioner has originally availed and got sanctioned a loan for Rs 50.00 Cr carrying an interest rate of 15.00% with 40 quarterly repayments.
- 4.90 The Commission in its Tariff Order dated 24 February, 2007 had considered a loan amount of Rs 50.00 Cr at a restructured interest rate of 10.50% and loan tenure of 11 years with 44 quarterly principal repayments.
- 4.91 As per the information submitted by the Petitioner in its various submissions dated 18 August, 2008, 7 October, 2008, 25 November, 2008, 18 December, 2008, 20 January, 2009 and 4 February, 2009; the bank has charged the interest at the following rates:
- (a) @ 14.50% p.a. w.e.f 1 April, 2003 to 31 Dec 2003,
  - (b) @ 14.00% p.a. w.e.f 1 January, 2004 to 30 September, 2004
  - (c) @ 10.50% p.a. w.e.f 1 October, 2004 to 21 January, 2007
  - (d) @ 11.00% p.a. w.e.f 22 January, 2007 to 28 February, 2007
  - (e) @ 11.50% p.a. w.e.f 1 March, 2007 to 25 April, 2007
  - (f) @ 12.00% p.a. w.e.f 26 April, 2007 to 28 March, 2008
  - (g) @ 11.00% p.a. w.e.f 29 March, 2008 to 6 June, 2008 (loan repaid)
- 4.92 The Commission has tried up the principal repayment and interest charges for the period FY04 to FY08 based on the information submitted by the Petitioner. The details of the loan considered by the Commission for true up are tabulated below:

**Table 43: Central Bank of India Loan Details**

Particulars	
Sanctioned amount as per loan document	Rs 50.00 Cr
Loan amount drawn by the Petitioner	Rs 50.00 Cr
Loan amount considered by Commission for tariff	Rs 50.00 Cr

Particulars	
determination	
Original loan repayment installments/No of Years	40/10
Revised loan repayment installments/No of Years	44/11
Yearly Installments	4
Principal Installment Payment dates	15 July, 15 Aug, 15 Sep, 15 Oct
Principal Repayment Started from	15 July 2005
Applicable Interest Rate	14.50% Upto 31.12.2003
Revised Interest Rate	14.00% w.e.f 01.01.2004
Revised Interest Rate	10.50% w.e.f 01.10.2004
Revised Interest Rate	11.00% w.e.f 22.01.2007
Revised Interest Rate	11.50% w.e.f 01.03.2007
Revised Interest Rate	12.00% w.e.f 26.04.2007
Revised Interest Rate	11.00% w.e.f 29.03.2008
Interest Payment Schedule	Monthly

4.93 Based on the above, the Commission approves the following principal repayment and interest charges for the previous tariff period (FY04-FY08):

**Table 44: Trued Up CBI Loan Repayment and Interest (Rs Cr)**

Loan	True Up				
	FY04	FY05	FY06	FY07	FY08
Opening Balance	50.00	50.00	50.00	45.45	40.91
Addition	0.00	0.00	0.00	0.00	0.00
Principal Repayment	0.00	0.00	4.55	4.55	4.55
Closing Balance	50.00	50.00	45.45	40.91	36.36
Interest Payment	7.19	6.13	4.97	4.55	4.57

#### **State Bank of Indore Loan**

- 4.94 As per the information submitted through the tariff petition and the loan documents, the Petitioner has originally availed and got sanctioned a loan for Rs 21.00 Cr carrying an interest rate of 13.50% with 40 quarterly repayments.
- 4.95 The Commission in its Tariff Order dated 24 February, 2007 had considered a loan amount of Rs 21.00 Cr at a restructured interest rate of 10.50% and loan tenure of 11 years with 44 quarterly principal repayments.
- 4.96 As per the information submitted by the Petitioner in its various submissions dated 18 August, 2008, 7 October, 2008, 25 November, 2008, 18 December, 2008, 20 January, 2009 and 4 February, 2009; the bank has charged the interest at the following rates:
- @ 13.75% p.a. w.e.f 1 April, 2003 to 28 July, 2003
  - @ 13.50% p.a. w.e.f 29 July, 2003 to 31 December, 2003

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- (c) @ 10.50% p.a. w.e.f 1 January, 2004 to 23 May, 2006
- (d) @ 11.00% p.a. w.e.f 24 May, 2006 to 11 April, 2007
- (e) @ 11.50% p.a. w.e.f 12 April, 2007 to 31 March 2008
- (f) @ 10.50% p.a. w.e.f 1 April, 2007 to 31 March, 2010.
- 4.97 The Petitioner has submitted that the bank through bank's letter dated 10 October, 2007, had reset the interest rate from 11.50% to 10.50% effective from 1 April, 2007 and the interest during the period 24 May, 2006 to 31 March, 2007 was reset from 11.00% to 10.50%. The bank through letter dated 30 January, 2009, has informed that the refund of interest charged over and above 10.50%, to the tune of Rs 12.46 Lakhs and Rs Rs 6.94 Lakhs have been credited on 12 October, 2007 and 7 December, 2007 to Petitioner's account.
- 4.98 The Commission for calculating the interest charge against the outstanding loan, has considered the actual interest rates applicable for the relevant period, prior to the reset, and has adjusted the interest refund amount against the future interest to be serviced by the Petitioner as carried out by the bank.
- 4.99 The Commission has trued up the principal repayment and the interest charges for the period FY04 to FY08 based on the information submitted by the Petitioner. The details of the loan considered by the Commission for true up are tabulated below:

**Table 45: State Bank of Indore Loan Details**

Particulars	
Sanctioned amount as per loan document	Rs 25.00 Cr
Loan amount drawn by the Petitioner	Rs 21.00 Cr
Loan amount considered by Commission for tariff determination	Rs 21.00 Cr
Original loan repayment installments/No of Years	40/10
Revised loan repayment installments/No of Years	44/11
Yearly Installments	4
Principal Installment Payment dates	15 July, 15 Aug, 15 Sep, 15 Oct
Principal Repayment Started from	15 July 2005
<b>Actual Interest Rate</b>	<b>Reset Interest Rate</b>
13.75% w.e.f 01.04.2003 to 28.07.2003	13.75% w.e.f 01.04.2003 to 28.07.2003
13.50% w.e.f 29.07.2003 to 31.12.2003	13.50% w.e.f 29.07.2003 to 31.12.2003
10.50% w.e.f 01.01.2004 to 23.05.2006	10.50% w.e.f 01.01.2004 to 23.05.2006
11.00% w.e.f 24.05.2006 to 11.04.2007	10.50% w.e.f 01.04.2007 to 31.03.2010
11.50% w.e.f 12.04.2007 to 31.03.2008	
Interest Payment Schedule	Monthly

- 4.100 Based on the above, the Commission approves the following principal repayment and

interest charges for the pervious tariff period (FY04-FY08):

**Table 46: Trued Up SBOI Loan Repayment and Interest (Rs Cr)**

Loan	True Up				
	FY04	FY05	FY06	FY07	FY08
Opening Balance	21.00	21.00	21.00	19.09	17.18
Addition	0.00	0.00	0.00	0.00	0.00
Principal Repayment	0.00	0.00	1.91	1.91	1.91
Closing Balance	21.00	21.00	19.09	17.18	15.27
Interest Payment	2.70	2.21	2.09	1.96	1.60
Interest Refund*	0.00	0.00	0.00	0.00	0.16

\* Interest Refund has been subtracted from Interest Payable and considered while arriving at Interest Payment shown above

### **State Bank of Patiala Loan**

- 4.101 As per the information submitted through the tariff petition and the loan documents, the Petitioner has originally availed and got sanctioned a loan for Rs 25.00 Cr carrying an interest rate of 14.25% with 40 quarterly repayments.
- 4.102 The Commission in its Tariff Order dated 24 February, 2007 had considered a loan amount of Rs 22.50 Cr at a restructured interest rate of 10.50% and loan tenure of 11 years with 44 quarterly principal repayments.
- 4.103 As per the information submitted by the Petitioner in its various submissions dated 18 August, 2008, 7 October, 2008, 25 November, 2008, 18 December, 2008, 20 January, 2009 and 4 February, 2009; the bank has charged the interest at the following rates:
- (a) @ 13.35% p.a. w.e.f 1 April, 2003 to 30 June, 2003
  - (b) @ 13.10% p.a. w.e.f 1 July, 2003 to 30 September, 2004
  - (c) @ 10.50% p.a. w.e.f 1 October, 2004 to 30 April, 2006
  - (d) @ 11.00% p.a. w.e.f 1 May 2006 to 31 July, 2006
  - (e) @ 11.25% p.a. w.e.f 1 August, 2006 to 26 December, 2006
  - (f) @ 11.75% p.a. w.e.f 27 December, 2006 to 18 February, 2007
  - (g) @ 12.50% p.a. w.e.f 19 February, 2007 to 9 April, 2007
  - (h) @ 13.00% p.a. w.e.f 10 April, 2007 to 18 May, 2008 (loan repaid)
- 4.104 The Commission has trued up the principal repayment and the interest charges for the period FY04 to FY08 based on the information submitted by the Petitioner. The details of the loan considered by the Commission for true up are tabulated below:

**Table 47: State Bank of Patiala Loan Details**

Particulars	
Sanctioned amount as per loan document	Rs 25.00 Cr
Loan amount drawn by the Petitioner	Rs 22.50 Cr
Loan amount considered by Commission for tariff determination	Rs 22.50 Cr
Original loan repayment installments/No of Years	40/10
Revised loan repayment installments/No of Years	44/11
Yearly Installments	4
Principal Installment Payment dates	15 July, 15 Aug, 15 Sep, 15 Oct
Principal Repayment Started from	15 July 2005
Applicable Interest Rate	13.25% w.e.f 01.04.2003 to 30.06.2003
Revised Interest Rate	13.10% w.e.f 01.07.2003 to 30.09.2004
Revised Interest Rate	10.50% w.e.f 01.10.2004 to 30.04.2006
Revised Interest Rate	11.00% w.e.f 01.05.2006 to 31.07.2006
Revised Interest Rate	11.25% w.e.f 01.08.2006 to 26.12.2006
Revised Interest Rate	11.75% w.e.f 27.12.2006 to 18.02.2007
Revised Interest Rate	12.50% w.e.f 19.02.2007 to 09.04.2007
Revised Interest Rate	13.00% w.e.f 10.04.2007 to 18.05.2008
Interest Payment Schedule	Monthly

4.105 Based on the above, the Commission approves the following principal repayment and interest charges for the previous tariff period (FY04-FY08):

**Table 48: Trued Up SBOP Loan Repayment and Interest (Rs Cr)**

Loan	True Up				
	FY04	FY05	FY06	FY07	FY08
Opening Balance	22.50	22.50	22.50	20.45	18.41
Addition	0.00	0.00	0.00	0.00	0.00
Principal Repayment	0.00	0.00	2.05	2.05	2.05
Closing Balance	22.50	22.50	20.45	18.41	16.36
Interest Payment	2.96	2.66	2.24	2.18	2.23

### **State Bank of Mysore Loan**

4.106 As per the information submitted through the tariff petition and the loan documents, the Petitioner has originally availed and got sanctioned a loan for Rs 15.00 Cr from SBoM carrying an interest rate of 14.00% with 40 quarterly repayments.

4.107 The Commission in its Tariff Order dated 24 February, 2007 had considered a loan amount of Rs 15.00 Cr at a restructured interest rate of 10.50% and loan tenure of 11 years with 44 quarterly principal repayments.

4.108 As per the information submitted by the Petitioner in its various submissions dated 18 August, 2008, 7 October, 2008, 25 November, 2008, 18 December, 2008, 20 January,



2009 and 4 February, 2009; the bank has charged the interest at the following rates:

- (a) @ 14.00% p.a. w.e.f 1 April, 2003 to 31 December, 2003
- (b) @ 10.50% p.a. w.e.f 1 January, 2004 to 21 May, 2006
- (c) @ 11.00% p.a. w.e.f 22 May, 2006 to 27 December, 2006
- (d) @ 11.50% p.a. w.e.f 28 December, 2006 to 15 February, 2007
- (e) @ 12.00% p.a. w.e.f 16 February, 2007 to 9 April, 2007
- (f) @ 12.75% p.a. w.e.f 10 April, 2007 to 9 August, 2008
- (g) @ 13.75% p.a. w.e.f 10 August, 2008 to 9 November, 2008
- (h) @13.00% p.a. w.e.f 10 November, 2008 to 13 December, 2008 (loan prepaid)

4.109 The Petitioner has submitted letters from the Bank, dated 25 July 2007 and 30 January, 2009, wherein the bank has credited Rs 6.39 lakhs of excess interest charged for the period 1 April, 2006 to 31 March, 2007, when the rate of interest was reset to 11.00%.

4.110 The Commission for calculating the interest charge against the outstanding loan, has considered the actual interest rates applicable for the relevant period, prior to the reset, and has adjusted the interest refund amount against the future interest to be serviced by the Petitioner as carried out by the bank.

4.111 The Commission has trued up the principal repayment and the interest charges for the period FY04 to FY08 based on the information submitted by the Petitioner. The details of the loan considered by the Commission for true up are tabulated below:

**Table 49: State Bank of Mysore Loan Details**

<b>Particulars</b>	
Sanctioned amount as per loan document	Rs 15.00 Cr
Loan amount drawn by the Petitioner	Rs 15.00 Cr
Loan amount considered by Commission for tariff determination	Rs 15.00 Cr
Original loan repayment installments/No of Years	40/10
Revised loan repayment installments/No of Years	44/11
Yearly Installments	4
Principal Installment Payment dates	15 July, 15 Aug, 15 Sep, 15 Oct
Principal Repayment Started from	15 July 2005
<b>Actual Interest Rate</b>	<b>Reset Interest Rate</b>
14.00% w.e.f 01.04.2003 to 31.12.2003	14.00% w.e.f 01.04.2003 to 31.12.2003

Particulars	
10.50% w.e.f 01.01.2004 to 21.05.2006	10.50% w.e.f 01.01.2004 to 21.05.2006
11.00% w.e.f 22.05.2006 to 27.12.2006	11.00% w.e.f 01.04.2006 to 31.03.2007
11.50% w.e.f 28.12.2006 to 15.02.2007	
12.00% w.e.f 16.02.2007 to 09.04.2007	
12.75% w.e.f 10.04.2007 to 09.08.2008	12.75% w.e.f 10.04.2007 to 09.08.2008

4.112 Based on the above, the Commission approves the following principal repayment and interest charges for the previous tariff period (FY04-FY08):

**Table 50: Trued Up SBOM Loan Repayment and Interest (Rs Cr)**

Loan	True Up				
	FY04	FY05	FY06	FY07	FY08
Opening Balance	14.00	15.00	15.00	13.64	12.27
Addition	1.00	0.00	0.00	0.00	0.00
Principal Repayment	0.00	0.00	1.36	1.36	1.36
Closing Balance	15.00	15.00	13.64	12.27	10.91
Interest Payment	1.97	1.58	1.49	1.43	1.40
Interest Refund*	0.00	0.00	0.00	0.00	0.06

\* Interest Refund has been subtracted from Interest Payable and considered while arriving at Interest Payment shown above

### **State Bank of Travancore Loan**

4.113 As per the information submitted through the tariff petition and the loan documents, the Petitioner has originally availed and got sanctioned a loan for Rs 25.00 Cr from SBoT carrying an interest rate of 13.75% with 40 quarterly repayments.

4.114 The Commission in its Tariff Order dated 24 February, 2007 had considered a loan amount of Rs 25.00 Cr at a restructured interest rate of 10.50% and loan tenure of 11 years with 44 quarterly principal repayments.

4.115 As per the information submitted by the Petitioner in its various submissions dated 18 August, 2008, 7 October, 2008, 25 November, 2008, 18 December, 2008, 20 January, 2009 and 4 February, 2009; the bank has charged the interest at the following rates:

- (a) @ 13.75% p.a. w.e.f 1 April, 2003 to 18 May, 2003
- (b) @ 13.50% p.a. w.e.f 19 May, 2003 to 31 December, 2003
- (c) @ 10.50% p.a. w.e.f 1 January, 2004 to 30 June, 2006
- (d) @ 11.00% p.a. w.e.f 1 July, 2006 to 31 December, 2006
- (e) @ 11.50% p.a. w.e.f 1 January, 2007 to 14 February, 2007

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- (f) @ 12.00% p.a. w.e.f 15 February, 2007 to 8 April, 2007
- (g) @ 12.50% p.a. w.e.f 9 April, 2007 to 15 May, 2008 (loan repaid)

4.116 The Commission has trued up the principal repayment and the interest charges for the period FY04 to FY08 based on the information submitted by the Petitioner. The details of the loan considered by the Commission for true up are tabulated below:

**Table 51: State Bank of Travancore Loan Details**

Particulars	
Sanctioned amount as per loan document	Rs 25.00 Cr
Loan amount drawn by the Petitioner	Rs 25.00 Cr
Loan amount considered by Commission for tariff determination	Rs 25.00 Cr
Original loan repayment installments/No of Years	40/10
Revised loan repayment installments/No of Years	44/11
Yearly Installments	4
Principal Installment Payment dates	15 July, 15 Aug, 15 Sep, 15 Oct
Principal Repayment Started from	15 July 2005
Applicable Interest Rate	13.75% w.e.f 01.04.2003 to 18.05.2003
Revised Interest Rate	13.50% w.e.f 19.05.2003 to 31.12.2003
Revised Interest Rate	10.50% w.e.f 01.01.2004 to 30.06.2006
Revised Interest Rate	11.00% w.e.f 01.07.2006 to 31.12.2006
Revised Interest Rate	11.50% w.e.f 01.01.2007 to 14.02.2007
Revised Interest Rate	12.00% w.e.f 15.02.2007 to 08.04.2007
Revised Interest Rate	12.50% w.e.f 09.04.2007 to 15.05.2008
Interest Payment Schedule	Monthly

4.117 Based on the above, the Commission approves the following principal repayment and interest charges for the previous tariff period (FY04-FY08):

**Table 52: Trued Up SBOT Loan Repayment and Interest (Rs Cr)**

Loan	True Up				
	FY04	FY05	FY06	FY07	FY08
Opening Balance	0.00	25.00	25.00	22.73	20.45
Addition	25.00	0.00	0.00	0.00	0.00
Principal Repayment	0.00	0.00	2.27	2.27	2.27
Closing Balance	25.00	25.00	22.73	20.45	18.18
Interest Payment	3.20	2.63	2.49	2.36	2.39

### State Bank of Hyderabad Loan

4.118 As per the information submitted through the tariff petition and the loan documents, the Petitioner has originally availed and got sanctioned a loan for Rs 25.00 Cr from

SBoH carrying an interest rate of 14.00% with 40 quarterly repayments.

4.119 The Commission in its Tariff Order dated 24 February, 2007 had considered a loan amount of Rs 22.02 Cr at a restructured interest rate of 10.50% and loan tenure of 11 years with 44 quarterly principal repayments.

4.120 As per the information submitted by the Petitioner in its various submissions dated 18 August, 2008, 7 October, 2008, 25 November, 2008, 18 December, 2008, 20 January, 2009 and 4 February, 2009; the bank has charged the following rate of interest at

- (a) @ 14.00% p.a. w.e.f 1 April, 2003 to 31 May, 2003
- (b) @ 13.75% p.a. w.e.f 1 June, 2003 to 31 December, 2003
- (c) @ 10.50% p.a. w.e.f 1 January, 2004 to 30 April, 2006
- (d) @ 11.00% p.a. w.e.f 1 May, 2006 to 28 December, 2006
- (e) @ 11.50% p.a. w.e.f 29 December, 2006 to 18 February, 2007
- (f) @ 12.00% p.a. w.e.f 19 February, 2007 to 11 April, 2007
- (g) @ 12.50% p.a. w.e.f 12 April, 2007 to 2 July, 2008

4.121 The Commission has trued up the principal repayment and the interest charges for the period FY04 to FY08 based on the information submitted by the Petitioner. The details of the loan considered by the Commission for true up are tabulated below:

**Table 53: State Bank of Hyderabad Loan Details**

<b>Particulars</b>	
Sanctioned amount as per loan document	Rs 25.00 Cr
Loan amount drawn by the Petitioner	Rs 22.02 Cr
Loan amount considered by Commission for tariff determination	Rs 22.02 Cr
Original loan repayment installments/ No of Years	40/10
Revised loan repayment installments/ No of Years	44/11
Yearly Installments	4
Principal Installment Payment dates	15 July, 15 Aug, 15 Sep, 15 Oct
Principal Repayment Started from	15 July 2005
Applicable Interest Rate	14.00% w.e.f 01.04.2003 to 31.05.2003
Revised Interest Rate	13.75% w.e.f 01.06.2003 to 31.12.2003
Revised Interest Rate	10.50% w.e.f 01.01.2004 to 30.04.2006
Revised Interest Rate	11.00% w.e.f 01.05.2006 to 28.12.2006
Revised Interest Rate	11.50% w.e.f 29.12.2006 to 18.02.2007

Particulars	
Revised Interest Rate	12.00% w.e.f 19.02.2007 to 11.04.2007
Revised Interest Rate	12.50% w.e.f 12.04.2007 to 02.07.2008
Interest Payment Schedule	Monthly

4.122 Based on the above, the Commission approves the following principal repayment and interest charges for the previous tariff period (FY04-FY08):

**Table 54: Trued Up SBOH Loan Repayment and Interest (Rs Cr)**

Loan	True Up				
	FY04	FY05	FY06	FY07	FY08
Opening Balance	0.00	22.02	22.02	20.02	18.02
Addition	22.02	0.00	0.00	0.00	0.00
Principal Repayment	0.00	0.00	2.00	2.00	2.00
Closing Balance	22.02	22.02	20.02	18.02	16.01
Interest Payment	2.86	2.31	2.19	2.10	2.10

### **Credit Lyonnais Loan**

4.123 As per the loan documents submitted by the Petitioner, the sanction loan amount from Credit Lyonnais is of US \$17.91 Mn with a fixed interest rate of 5.66% for whole tenure. The tenure of the loan is 12 years with semi-annual repayments. The payment against the loan has been guaranteed by PFC and a payment guarantee commission (PGC) of 1.60% is levied on the Petitioner by PFC.

4.124 The Commission in this true-up order has recomputed and trued up the interest payments as per the applicable interest rates, charges related to the PGC and the semi-annual repayment in dollar terms. The Commission has considered the cumulative loan amount drawn from the bank as US \$17.85 Mn and the applicable interest rate of 7.46% per annum consisting of 5.66% interest rate charged by Credit Lyonnais Bank, 1.60% PGC on PFC Guarantee and the applicable service tax on PGC. The interest payments and the repayments have been calculated in dollar terms and then converted to equivalent rupee terms by applying the relevant foreign exchange conversion rates as submitted by the Petitioner in its tariff petition. The exchange rates considered by the Commission are tabulated below.

**Table 55: Exchange Rate Rs/ USD**

	FY04	FY05	FY06	FY07	FY08
H1	47.04	44.10	43.80	44.91	41.06
H2	45.38	45.73	45.22	45.43	39.55

4.125 The Commission has trued up the interest charges for the period FY04 to FY08 based on the information submitted by the Petitioner. The details of the loan considered by the Commission for true up are tabulated below:

**Table 56: Credit Lyonnais Loan Details**

Particulars	
Sanctioned amount as per loan document	USD 17.90 Mn
Loan amount considered by Commission for tariff determination	USD 17.85 Mn
Loan repayment installments	24
Interest Rate (for full tenure)	5.66% p.a. fixed
PFC Payment Guarantee Commission (PGC)	1.60%
Service Tax on PGC	Nil for FY04
	10.20% for FY05
	10.20% for FY06
	12.24% for FY07
	12.36% for FY08
Final Applicable Interest Rate	7.26% for FY04
Final Applicable Interest Rate	7.42% for FY05
Final Applicable Interest Rate	7.42% for FY06
Final Applicable Interest Rate	7.46% for FY07
Final Applicable Interest Rate	7.46% for FY08

4.126 Based on the above, the Commission approves the following principal repayment and interest charges for the previous tariff period (FY04-FY08):

**Table 57: Trued Up Credit Lyonnais Loan Repayment and Interest**

Loan	True Up				
	FY04	FY05	FY06	FY07	FY08
Opening Balance (US \$ Mn)	17.38	17.11	15.62	14.13	12.64
Addition (US \$ Mn)	0.47	0.00	0.00	0.00	0.00
Principal Repayment (US \$ Mn)	0.74	1.49	1.49	1.49	1.49
Closing Balance (US \$ Mn)	17.11	15.62	14.13	12.64	11.16
Interest Payment (US\$ Mn)	0.64	1.24	1.13	1.03	0.92
<b>Equivalent Rupee</b>					
Opening Balance (Rs Cr)	81.78	75.44	68.41	63.46	51.92
Addition (Rs Cr)	2.19	0.00	0.00	0.00	0.00
Principal Repayment (Rs Cr)	3.37	6.68	6.62	6.72	5.99
Closing Balance (Rs Cr)	77.63	71.42	63.90	57.44	44.12
Interest Payment (Rs Cr)	2.90	5.58	5.04	4.63	3.69

### **Hypovereinsbank Loan**

4.127 As per the loan documents submitted by the Petitioner, the sanction loan amount from Hypovereinsbank is of US \$11.98 Mn with a floating interest rate pegged to LIBOR valid from time to time for periods of 6 month. The tenure of the loan is 12 years with semi-annual repayments. The payment against the loan has been guaranteed by PFC and a payment guarantee commission (PGC) of 1.60% is levied on the Petitioner by

PFC.

4.128 The Commission in this true-up order has recomputed and trued up the interest payments as per the applicable interest rates, charges related to the PGC and the semi-annual repayment. The Commission has considered the cumulative loan amount drawn from the bank as US \$ 11.31 Mn and the applicable interest rate consisting of 6 month LIBOR plus margin rate charged by Hypovereinsbank, 1.60% PGC on PFC Guarantee and applicable service tax on PGC. The Commission has taken the LIBOR rates as applicable on two banking business days before the first day of the interest period, as published by British Banker's Association.

4.129 The interest payments and the repayments have been calculated in dollar terms and then converted to equivalent rupee terms by applying the relevant foreign exchange conversion rates as submitted by the Petitioner in its tariff petition. The exchange rates considered by the Commission are tabulated below.

**Table 58: Exchange Rate Rs/ USD**

	<b>FY04</b>	<b>FY05</b>	<b>FY06</b>	<b>FY07</b>	<b>FY08</b>
H1	46.17	46.40	43.54	46.94	40.43
H2	45.40	43.86	44.39	44.35	39.85

4.130 The Commission has trued up the interest charges for the period FY04 to FY08 based on the information submitted by the Petitioner. The details of the loan considered by the Commission for true up are tabulated below:

**Table 59: Hypovereinsbank Loan Details**

<b>Particulars</b>	
Sanctioned amount as per loan document	USD 11.98 Mn
Loan amount considered by Commission for tariff determination	USD 11.31 Mn
Loan repayment installments	24
Interest Rate	6 month LIBOR + Margin
Margin	0.3% p.a for first 60 months
	0.5% p.a. for 61 to 120 month
	0.6% p.a. from 121 month
PFC Payment Guarantee Commission (PGC)	1.60%
Service Tax on PGC	Nil for FY04
	10.20% for FY05
	10.20% for FY06
	12.24% for FY07
	12.36% for FY08
Final Applicable Interest Rate	3.25% for FY04 H1
Final Applicable Interest Rate	3.02% for FY04 H2
Final Applicable Interest Rate	3.43% for FY05 H1
Final Applicable Interest Rate	4.19% for FY05 H2
Final Applicable Interest Rate	5.17% for FY06 H1

Particulars	
Final Applicable Interest Rate	6.14% for FY06 H2
Final Applicable Interest Rate	7.04% for FY07 H1
Final Applicable Interest Rate	7.85% for FY07 H2
Final Applicable Interest Rate	7.70% for FY08 H1
Final Applicable Interest Rate	7.67% for FY08 H2

4.131 Based on the above, the Commission approves the following principal repayment and interest charges for the pervious tariff period (FY04-FY08):

**Table 60: Trued Up Hypovereinsbank Loan Repayment and Interest**

Loan	True Up				
	FY04	FY05	FY06	FY07	FY08
Opening Balance (US \$ Mn)	10.14	9.78	9.42	8.48	7.54
Addition (US \$ Mn)	0.58	0.58	0.00	0.00	0.00
Principal Repayment (US \$ Mn)	0.94	0.94	0.94	0.94	0.94
Closing Balance (US \$ Mn)	9.78	9.42	8.48	7.54	6.60
Interest Payment (US\$ Mn)	0.32	0.38	0.52	0.61	0.56
<b>Equivalent Rupee</b>					
Opening Balance (Rs Cr)	46.83	45.40	41.03	39.81	30.48
Addition (Rs Cr)	2.68	2.70	0.00	0.00	0.00
Principal Repayment (Rs Cr)	4.31	4.25	4.14	4.30	3.78
Closing Balance (Rs Cr)	44.42	41.33	37.65	33.44	26.28
Interest Payment (Rs Cr)	1.46	1.71	2.28	2.80	2.25

### **VaTech Finance Loan**

4.132 As per the loan documents submitted by the Petitioner, the sanction loan amount from VaTech is of US\$12.49 Mn with a floating interest rate pegged to LIBOR valid from time to time for periods of 6 month. The tenure of the loan is 12 years with semi-annual repayments. The payment against the loan has been guaranteed by PFC and a payment guarantee commission (PGC) of 1.60% is levied on the Petitioner by PFC.

4.133 The Commission in this true-up order has recomputed and trued up the interest payments as per the applicable interest rates, charges related to the PGC and the semi-annual repayment. The Commission has considered the cumulative loan amount drawn from the bank as US \$ 11.48 Mn and the applicable interest rate consisting of 6 month LIBOR plus margin rate charged by VaTech Finance, 1.60% PGC on PFC Guarantee and applicable service tax on PGC. The Commission has taken the LIBOR rates as applicable on two banking business days before the first day of the interest period, as published by British Banker's Association.

4.134 The interest payments and the repayments have been calculated in dollar terms and then converted to equivalent rupee terms by applying the relevant foreign exchange conversion rates as submitted by the Petitioner in its tariff petition. The exchange



rates considered by the Commission are tabulated below.

**Table 61: Exchange Rate Rs/ USD**

	<b>FY04</b>	<b>FY05</b>	<b>FY06</b>	<b>FY07</b>	<b>FY08</b>
H1	46.17	46.40	43.54	46.94	40.43
H2	45.40	43.86	44.39	44.35	39.85

4.135 The Commission has tried up the interest charges for the period FY04 to FY08 based on the information submitted by the Petitioner. The details of the loan and the applicable interest rates as considered by the Commission and the repayment and interest charges approved by the Commission are tabulated below:

**Table 62: VaTech Finance Loan Details**

<b>Particulars</b>	
Sanctioned amount as per loan document	USD 12.49 Mn
Loan amount considered by Commission for tariff determination	USD 11.48 Mn
Loan repayment installments	24
Interest Rate	6 month LIBOR + Margin
Margin	0.3% p.a for first 60 months
	0.5% p.a. for 61 to 120 month
	0.6% p.a. from 121 month
PFC Payment Guarantee Commission (PGC)	1.60%
Service Tax on PGC	Nil for FY04
	10.20% for FY05
	10.20% for FY06
	12.24% for FY07
	12.36% for FY08
Final Applicable Interest Rate	3.25% for FY04 H1
Final Applicable Interest Rate	3.02% for FY04 H2
Final Applicable Interest Rate	3.43% for FY05 H1
Final Applicable Interest Rate	4.19% for FY05 H2
Final Applicable Interest Rate	5.17% for FY06 H1
Final Applicable Interest Rate	6.14% for FY06 H2
Final Applicable Interest Rate	7.04% for FY07 H1
Final Applicable Interest Rate	7.85% for FY07 H2
Final Applicable Interest Rate	7.70% for FY08 H1
Final Applicable Interest Rate	7.67% for FY08 H2

4.136 Based on the above, the Commission approves the following principal repayment and interest charges for the pervious tariff period (FY04-FY08):

**Table 63: Trued Up VaTech Finance Loan Repayment and Interest**

Loan	True Up				
	FY04	FY05	FY06	FY07	FY08
Opening Balance (US \$ Mn)	10.30	9.94	9.57	8.61	7.66
Addition (US \$ Mn)	0.59	0.59	0.00	0.00	0.00
Principal Repayment (US \$ Mn)	0.96	0.96	0.96	0.96	0.96
Closing Balance (US \$ Mn)	9.94	9.57	8.61	7.66	6.70
Interest Payment (US\$ Mn)	0.32	0.39	0.53	0.62	0.57
<b>Equivalent Rupee</b>					
Opening Balance (Rs Cr)	46.17	46.40	43.54	46.94	40.43
Addition (Rs Cr)	2.73	2.74	0.00	0.00	0.00
Principal Repayment (Rs Cr)	4.38	4.32	4.21	4.37	3.84
Closing Balance (Rs Cr)	45.11	41.97	38.23	33.95	26.69
Interest Payment (Rs Cr)	1.49	1.74	2.32	2.84	2.29

**IDBI Foreign Currency Loan**

- 4.137 As per the loan documents submitted by the Petitioner, the sanction loan amount from IDBI is of US \$ 4.76 Mn with an interest rate at 4.5% over the three (3) month LIBOR. The tenure of the loan is 11 years with 1 year moratorium and quarterly repayments.
- 4.138 The Commission in this true-up order has recomputed and trued up the interest payments as per the applicable interest rates. The Commission has considered the cumulative loan amount drawn from the bank as US\$ 2.62 Mn and the applicable interest rate @ 4.5% over the 3 month LIBOR for United States Dollar. The Commission has taken the LIBOR rates applicable on the loan, two business days prior to January 1, April 1, July 1 and October 1, which is as per the condition stipulated in the loan agreement. The Commission has taken the LIBOR rates as published by British Banker’s Association.
- 4.139 The interest payments and the repayments have been calculated in dollar terms and then converted to equivalent rupee terms by applying the relevant foreign exchange conversion rates as submitted by the Petitioner in its tariff petition. The details of the loan considered by the Commission for true up are tabulated below:

**Table 64: IDBI Foreign Currency Loan Details**

Particulars	
Sanctioned amount as per loan document	USD 4.76 Mn
Loan amount considered by Commission for tariff determination	USD 2.62 Mn
Revised loan repayment installments	40
Interest Rate	3 month LIBOR + 4.5%
Applicable Interest Rate	5.79% for FY04 Q1
	5.61% for FY04 Q2

Particulars	
	5.66% for FY04 Q3
	5.66% for FY04 Q4
	5.61% for FY05 Q1
	6.10% for FY05 Q2
	6.51% for FY05 Q3
	7.06% for FY05 Q4
	7.60% for FY06 Q1
	8.00% for FY06 Q2
	8.55% for FY06 Q3
	9.03% for FY06 Q4
	9.49% for FY07 Q1
	10.01% for FY07 Q2
	9.87% for FY07 Q3
	9.86% for FY07 Q4
	9.85% for FY08 Q1
	9.86% for FY08 Q2
	9.73% for FY08 Q3
	9.23% for FY08 Q4

4.140 Based on the above, the Commission approves the following principal repayment and interest charges for the pervious tariff period (FY04-FY08):

**Table 65: Trued Up IDBI Foreign Currency Loan Repayment and Interest**

Loan	True Up				
	FY04	FY05	FY06	FY07	FY08
Opening Balance (US \$ Mn)	2.18	2.40	2.42	2.16	1.90
Addition (US \$ Mn)	0.22	0.22	0.00	0.00	0.00
Principal Repayment (US \$ Mn)	0.00	0.20	0.26	0.26	0.26
Closing Balance (US \$ Mn)	2.40	2.42	2.16	1.90	1.64
Interest Payment (US\$ Mn)	0.13	0.16	0.19	0.20	0.17
<b>Equivalent Rupee</b>					
Opening Balance (Rs Cr)	10.22	10.86	10.62	10.02	7.78
Addition (Rs Cr)	1.00	1.01	0.00	0.00	0.00
Principal Repayment (Rs Cr)	0.00	0.88	1.17	1.18	1.06
Closing Balance (Rs Cr)	10.90	10.58	9.60	8.29	6.63
Interest Payment (Rs Cr)	0.59	0.70	0.86	0.91	0.70

4.141 The principal repayment and the interest charges discussed above are summarized below.

**Table 66: Interest Charges on Outstanding Loans (Rs Cr)**

Loan	Trued Up				
	FY04	FY05	FY06	FY07	FY08
<b>ICL</b>					
Total Opening Balance Rs Cr	870.51	870.51	870.51	802.30	734.10
Total Repayment Rs Cr	0.00	0.00	68.20	68.20	68.20
Total Closing Balance Rs Cr	870.51	870.51	802.30	734.10	665.89
Total Interest Rs Cr	133.84	106.52	91.96	86.81	80.62
<b>FCL</b>					
Total Opening Balance Rs Cr	186.38	177.79	161.73	153.73	121.13
Total Repayment Rs Cr	12.07	16.13	16.14	16.57	14.68
Total Closing Balance Rs Cr	178.05	165.31	149.38	133.12	103.73
Total Interest Rs Cr	6.44	9.73	10.50	11.18	8.94
<b>Total ICL + FCL</b>					
Total Opening Balance Rs Cr	1,056.89	1,048.30	1,032.24	956.03	855.23
Total Repayment Rs Cr	12.07	16.13	84.35	84.77	82.88
Total Closing Balance Rs Cr	1,048.56	1,035.82	951.69	867.22	769.63
Total Interest Rs Cr	140.28*	116.25	102.46	97.99	89.56

\* Interest Charges computed for complete year

4.142 The interest on outstanding loans as approved by the Commission in its Tariff Order dated 24 February, 2007 and as trued up in this order have been tabulated below:

**Table 67: Interest Charges on Outstanding Loans (Rs Cr)**

Loan	Tariff Order 2007				
	FY04	FY05	FY06	FY07	FY08
<b>As approved by HPERC</b>					
Interest on outstanding loans	107.80	130.33	119.14	103.44	87.75
<b>Total</b>					<b>548.46</b>
<b>As trued up by HPERC</b>					
Interest on outstanding loans	117.41*	116.25	102.46	97.99	89.56
<b>Total</b>					<b>523.67</b>

\* Note – The plant was commissioned on 8 June 2003 and interest charges of Rs 140.28 Cr for the complete year have been reduced to Rs 117.41 Cr on proportional basis for tariff determination for the year FY04.

### **Depreciation and Advance Against Depreciation**

4.143 The Commission has computed and trued up the depreciation and advance against depreciation for the period FY04 to FY08 as per Section 8.6.5.1 of the PPA.

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4.144 The amount to be charged against depreciation and AAD during the period FY04 to FY08 has changed due to the re-computation of the loan repayment as discussed in the previous section is as detailed below:

**Table 68: Depreciation and AAD as per Tariff Order dated 24 February 2007 (Rs Cr)**

Particulars	Tariff Order 2007				
	FY04	FY05	FY06	FY07	FY08
Depreciation + AAD	55.21	65.96	89.48	89.48	89.48

**Table 69: Trued Up Depreciation and AAD (Rs Cr)**

Particulars		True Up				
		FY04	FY05	FY06	FY07	FY08
1/12th of the Loan(s)	A	89.48	89.48	89.48	89.48	89.48
Repayment of the Loan(s) as considered for working out Interest on Loan	B	12.07	16.13	84.35	84.77	82.88
Minimum of the Above	C	12.07	16.13	84.35	84.77	82.88
<b>Less: Depreciation during the year</b>	D	<b>55.21</b>	<b>65.96</b>	<b>65.96</b>	<b>65.96</b>	<b>65.96</b>
A	E=C-D	0.00	0.00	18.39	18.81	16.92
Cumulative Repayment of the Loan(s) as considered for working out Interest on Loan	F	12.07	28.20	112.55	197.32	280.20
Less: Cumulative Depreciation	G	55.21	121.17	187.13	253.09	319.05
B	H=F-G	0.00	0.00	0.00	0.00	0.00
<b>Advance Against Depreciation (min (A, B)/ zero if negative)</b>	A	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Depreciation + AAD</b>		<b>55.21</b>	<b>65.96</b>	<b>65.96</b>	<b>65.96</b>	<b>65.96</b>

### Operations and Maintenance Expenses

4.145 The Commission in its Tariff Order dated 24 February, 2007, had approved the O&M expenses as per Section 8.7.2 of the PPA including insurance expenses for the initial tariff year calculated @ 1.25% of the capital cost. These charges were escalated for each year subsequent to the initial tariff year, every year by 6% (compounded annually) for first ten tariff years.

4.146 The Board had filed a review petition with the contention that the 6% escalation has to be applied for each year subsequent to the initial tariff year (FY06) instead of initial tariff year (FY05) considered in the Tariff Order dated 24 February, 2007.

4.147 The Commission in its Review Order on Baspa II HEP dated 7 February, 2008 had agreed to the point raised by the Board and had ordered that the readjustment in the tariffs consequent to the above changes would be made by the Commission at the time of processing of the subsequent petition along with necessary adjustments in the arrears payable.

4.148 The Commission has recomputed the O&M charges as per Section 8.7.2 of the PPA which states that

*‘Operation and maintenance charges including Insurance expenses for the initial tariff year shall be calculated at the rate of 1.25% (one and a quarter percentage) of the capital cost. These charges shall be escalated for each year subsequent to the initial tariff year, every year by 6% (compounded annually) for the first ten tariff years. Thereafter the escalation for each year shall be computed as per the formula given in Schedule XI.’*

4.149 The initial tariff year as defined by the PPA is as follows;

*‘means the period commencing from April 1<sup>st</sup> after COD of the Project and ending on subsequent March 31<sup>st</sup>.’*

4.150 The COD of the last unit of the project is 8 June 2003, and the initial tariff year is FY05 commencing from 1 April 2004 and ended on 31 March 2005. Hence, the escalation is applicable from FY06 and not FY05 as considered in the Tariff Order dated 24 February 2007 by the Commission and the Petitioner in its tariff submission for the Control Period.

4.151 The Commission has trued up the O&M Expenses for the period FY04 to FY07 and approved the O&M expenses for the MYT period (FY08-FY11) as per the PPA. The true up and the approved values are shown below.

**Table 70: Trued Up Operations & Maintenance Expenses (Rs Cr)**

Particulars	Past Tariff Order					True Up				
	FY04	FY05	FY06	FY07	FY08	FY04	FY05	FY06	FY07	FY08
Base O&M Expense	19.17					19.17				
Escalated at 6% p.a	16.97	20.33	21.54	22.84	24.21	16.98	19.17	20.32	21.54	22.84

### **Return on Equity**

4.152 The Commission has trued up and approved the return on equity as per Section 8.7.3 of the PPA and has computed the return on equity at 16% at an approved equity base of Rs 460.19 Cr.

4.153 As per the Section 8.7.3,

*‘Return on Equity for each tariff year from the initial tariff year onwards will be calculated at a per annum rate of 16% (sixteen percent) of the equity component of the capital cost as per approved financial package. The return on equity for the tariff period and the last tariff year shall be worked out on proportionate basis for actual number of days for which such return on equity is to be determined.’*

4.154 The trued up and approved return on equity as computed by the Commission is tabulated below:

**Table 71: Trued Up Return on Equity for the Period FY04 to FY08 (Rs Cr)**

Particulars	Past Tariff Order					True Up				
	FY04	FY05	FY06	FY07	FY08	FY04	FY05	FY06	FY07	FY08
Return on Equity	65.19	73.63	73.63	73.63	73.63	65.20*	73.63	73.63	73.63	73.63

\* The plant was commissioned on 8 June 2003 and RoE of Rs 73.63 Cr for the complete year has been reduced to Rs 65.20 Cr on proportional basis for tariff determination for the year FY04 as per the PPA.

### Interest on Working Capital

4.155 As per Section 8.7.4 of the PPA;

*Interest on working capital shall be accounted for at the SBI lending rate as applicable from time to time for the secured loans. For this purpose the working capital shall consist of:-*

- i) *The Operation and Maintenance (O&M) charges for one month:*
- ii) *Maintenance spares at actual but not exceeding one year's requirement less value of one fifth of initial spares already capitalised. The value of maintenance spares for one year requirement shall be taken as 12% of the O & M charges for that tariff period/ tariff year.*
- iii) *Receivables equivalent to two months of average billing for sale of electricity.*

4.156 The Commission in its Tariff Order dated 24 February, 2007 had approved interest on working capital for the years FY04, FY05 and FY06. The Commission has recomputed the interest on working capital based on the revised number for O&M as discussed in Para 4.151 and change in receivables.

4.157 The rate of interest for calculating the interest on working capital has been taken as per the SBI PLR of 10.50% for FY04, FY05 and FY06, 10.75% for FY07 and 12.75% for FY08.

4.158 There was a cell linking error in the model that was used by the Commission for determining the interest on working capital for the period FY04 to FY08 in Tariff Order dated 24 February, 2007. Instead on linking the O&M expense for FY04 for calculating the 1/12 of the O&M, the amount for FY05 was considered. The Commission has corrected for the error in the model developed for the true up.

**Table 72: Approved Interest on Working Capital as per Past Tariff Order (Rs Cr)**

Particulars	Past Tariff Order				
	FY04	FY05	FY06	FY07	FY08
1/12 <sup>th</sup> of O&M Expenses	1.60	1.69	1.80	-	-
Maintenance Spares 12% of O&M Expenses	0.00	0.00	0.00	-	-
Receivables equivalent to 2 months average billing	51.10	54.96	51.01	-	-
<b>Total Working Capital</b>	<b>52.52</b>	<b>56.65</b>	<b>52.80</b>	-	-
Rate of Interest	10.50%	10.50%	10.50%	-	-

Particulars	Past Tariff Order				
	FY04	FY05	FY06	FY07	FY08
<b>Interest on Working capital</b>	<b>5.51</b>	<b>5.95</b>	<b>5.54</b>	-	-

**Table 73: Trued Up Interest on Working Capital for the period FY04 to FY08 (Rs Cr)**

Particulars	True Up				
	FY04	FY05	FY06	FY07	FY08
1/12 <sup>th</sup> of O&M Expenses	1.60	1.60	1.69	1.80	1.90
Maintenance Spares 12% of O&M Expenses	0.00	0.00	0.00	0.00	0.00
Receivables equivalent to 2 months average billing	54.82	48.75	47.95	51.60	46.77
Total Working Capital	56.41*	50.35	49.65	53.40	48.67
Rate of Interest	10.75%	10.25%	10.25%	10.25%	12.25%
<b>Interest on Working capital</b>	<b>5.37*</b>	<b>5.16</b>	<b>5.09</b>	<b>5.47</b>	<b>5.96</b>

\* The plant was commissioned on 8 June 2003 and WC of Rs 56.41 Cr for the complete year has been reduced on proportional basis for tariff determination for the year FY04. The interest on working capital for the FY04 has been derived as per PPA section 8.16.

### **Incentive for Secondary Energy and Higher Plant Availability**

4.159 The Commission in its Tariff Order dated 24 February, 2007 had computed the incentives for higher plant availability and secondary energy based on the actual plant availability and the actual secondary energy generation for the years FY04, FY05 and FY06 and had stated in the tariff order that for the years FY07 and FY08, the incentive for secondary energy shall be billed by the Petitioner to the Board as per the actual generation data available and provisions mentioned in the PPA.

4.160 The Commission in this order has recomputed and trued up the incentive for higher plant availability and secondary energy as per the actual plant availability and the actual secondary energy generation for the years FY04 to FY08 as submitted by the Petitioner. The incentives have been computed as per the Section 8.9 on 'Incentive for Secondary Energy' and Section 8.10 on 'Incentive on Account of Higher Plant Availability' of the PPA.

4.161 As per the Section 8.9.1 of the PPA;

*'The per unit rate for saleable secondary energy (i.e. 88% of the secondary energy available at interconnection point at Jhakri) shall be calculated by dividing 10% return on equity with normative saleable Secondary energy amounting to 155 MU at Jhakri. The charges for the saleable Secondary energy for any tariff year shall not exceed 10% Return on Equity....'*

4.162 The Commission has interpreted and applied the Section 8.9.1 in line with the explanation as detailed in the Commission's Review Order on Baspa II dated 7 February, 2008 para 4.4.2 and computed the incentive for secondary energy.



## MULTI YEAR TARIFF ORDER (FY09-FY11)

**Table 74: Trued Up Incentive for Secondary Energy for the Period FY04-FY08**

Particulars	Past Tariff Order					True Up				
	FY04	FY05	FY06	FY07	FY08	FY04	FY05	FY06	FY07	FY08
Secondary Energy Generation (MU)	53.47	0.00	0.00	-	-	53.47	0.00	0.00	71.48	0.00
<b>10% ROE* Secondary Energy/ 155 MU (Rs Cr)</b>	<b>15.88</b>	<b>0.00</b>	<b>0.00</b>	-	-	<b>15.88</b>	<b>0.00</b>	<b>0.00</b>	<b>21.22</b>	<b>0.00</b>

4.163 As per Section 8.10 of the PPA on incentive for higher plant availability;

*'In case the Plant Availability level in a Tariff year, as determined in accordance with Schedule I, exceeds the normative level of 90%, the Company shall be entitled to an incentive at the rate of 0.35% of Equity component of the capital cost as per the approved financial package for each percentage increase in plant availability above 90% normative level during the year when plant availability is more than 90%. The amount of this incentive payable for any tariff year shall not exceed 2% Return on Equity. The ceiling for the initial and last tariff period shall be worked out on pro-rata basis. Incentive shall be payable at the end of each tariff year/ tariff period.'*

4.164 The Commission has interpreted and applied the Section 8.10 in line with the explanation as detailed in the Commission's Review Order on Baspa II dated 7 February, 2008 para 4.3.2 and computed the incentive for higher plant availability.

**Table 75: Trued Up Incentive for Higher Plant Availability for the Period FY04-FY08**

Particulars	Past Tariff Order					True Up				
	FY04	FY05	FY06	FY07	FY08	FY04	FY05	FY06	FY07	FY08
Normative Plant Availability (%)	90.00	90.00	90.00	-	-	90.00	90.00	90.00	90.00	90.00
Actual Plant Availability (%)	96.80	99.80	95.65	-	-	96.80	99.80	95.65	98.83	99.91
Higher Plant Availability (%)	6.80	9.80	5.65	-	-	6.80	9.80	5.65	8.83	9.91
<b>Incentive(Rs Cr)</b>	<b>7.70</b>	<b>9.20</b>	<b>9.20</b>	-	-	<b>7.70</b>	<b>9.20</b>	<b>9.10</b>	<b>9.20</b>	<b>9.20</b>

### Income Tax

4.165 As per Section 8.11 of the PPA, the Tax on Income is payable as an expense to the Company by the Board.

4.166 The Section 8.11.1 states;

*'Income Tax payable by the Board shall be determined by considering the income to the company on account of ROE (not exceeding 16%), depreciation/ advance against depreciation as applicable, and 50% of income on account of incentives as per Section 8.9 and 8.10, in respect of the project as per income tax law. Rebate on account of depreciation and any other rebate/ exemption admissible under law shall be considered for the purpose of calculation on tax liability of the Board.'*

*Under no circumstances tax liability payable by the Board shall be more than income tax actually payable by the Company.*

*No Income tax shall be payable by the Board on any other income accrued to the Company.”*

- 4.167 For the Petitioner, the Minimum Alternative Tax is applicable for the first 10 years from the date of commissioning.
- 4.168 In the Tariff Order dated 24 February, 2007, the Commission had approved the tax on income for the years FY04 and FY05 as per the Petitioner’s annual accounts and had estimated the taxes for FY06. The Commission in the order had stated that the taxes shall be trued up during the subsequent tariff filing of the Petitioner.
- 4.169 The Commission during the course of analysis of the Petition directed the Petitioner to submit in detail the actual income tax paid during the period FY04 to FY08 calculated as per the Income Tax Act and in terms of the Section 8.11.1 of the PPA. The Petitioner submitted the required details to the Commission on 11 September, 2008.
- 4.170 The Commission has calculated and trued up the tax liability of the Board as per the Section 8.11.1 of the PPA for the period FY04 to FY08. The tax on income as approved by the Commission is tabulated in table below:

**Table 76: Trued Up Tax on Income for the Period FY04 to FY08 (Rs. Crs.)**

Particulars	Past Tariff Order					True Up				
	FY04	FY05	FY06	FY07	FY08	FY04	FY05	FY06	FY07	FY08
Income Tax	4.98	4.39	7.10	-	-	4.21	5.52	5.92	9.09	7.97

### **Amortisation of Cost of Debt Restructuring**

- 4.171 The Commission in its Tariff Order dated 24 February, 2007 had approved a debt restructuring cost of Rs 56.83 Cr and had stated that the necessary adjustments on the interest rates and the consequent tariff adjustments shall be made during the next tariff proceedings once the Petitioner provides the requisite documents to indicate approval of reduction in interest rates from the concerned institutions and the associated costs. The Commission had also stated that it would also consider the cost-benefit aspect of any reduction in interest rate to the project and its associated costs.
- 4.172 The Commission during the course of analysis of this tariff petition directed the Petitioner to submit the requisite documents in support of the debt restructuring under taken and cost benefit analysis of reduction in interest rates to the project. The Petitioner vide its submissions dated 18 August 2008, 7 October 2008, 18 December 2008, 20 January 2009 and 4 February 2009 submitted that it has incurred a cost of Rs 70.83 Cr for reducing the interest rate upto 10.50%. The details of cost involved in restructuring are as given below:

**Table 77: Debt Restructuring Costs as per Petitioner (Rs Cr)**

Particulars	Amount
IFCI	23.78

Particulars	Amount
IDBI	12.66
ICICI Bank	8.00
ICICI Bank	12.00
UTI Bank	2.00
ICICI Bank	12.40
<b>Total</b>	<b>70.84</b>

4.173 The Commission has scrutinized the submissions made by the Petitioner and has approved the debt restructuring cost as follows:

**Table 78: Debt Restructuring Costs as approved by the Commission (Rs Cr)**

Particulars	Amount
IFCI	21.60
IDBI	12.66
ICICI Bank	8.00
ICICI Bank	12.00
UTI Bank	1.36
ICICI Bank	12.40
<b>Total</b>	<b>68.02</b>

4.174 The Petitioner has submitted that for prepayment of IFCI loan of Rs 150.00 Cr, it has paid a prepayment premium of Rs 23.78 Cr to the bank. The Commission has proportionately reduced the amount to Rs 21.60 Cr based on the IFCI loan of Rs 136.22 Cr approved by the Commission.

4.175 The Petitioner has submitted that it has paid an upfront fee @1% (Rs 2.00 Cr) of the sanctioned amount of NCDs of Rs 200.00 Cr of UTI bank. The Commission has computed the upfront fee as Rs 1.36 Cr @ 1% of the Rs 136.22 Cr UTI NCDs approved by the Commission. For IDBI loan, the Commission has allowed Rs 12.66 Cr as restructuring cost on account of reduction of interest rate from 18.50% to 10.50%.

4.176 In the case of ICICI bank loan restructuring, the Petitioner has submitted that the interest rates were realigned three times between November 2003 and June 2005. The first restructuring was in November 2003 and the applicable rate was reduced from 17.64% to 12.50% on payment of Rs 8.00 Cr as fees for financial/ debt restructuring. The second restructuring was in February 2004, where in the applicable rate was reduced to 10.50% on payment of Rs 12.00 Cr to the bank as fees for financial/ debt restructuring assignment. The third and the final restructuring was carried out in June 2005 and the rate was further reduced to 8.50% and Rs 12.40 Cr was paid as fees for financial/ debt restructuring assignment. In total, Rs 32.40 Cr was paid by the Petitioner to ICICI bank for reducing the rate of interest from 17.64% to 8.50%.

4.177 The Commission in view of the facts presented above, directed the Petitioner to submit the calculations based on which the bank had charged the fees. The details of

the calculation were submitted by the Petitioner on 16 March 2009 vide M.A. No 45 of 2009.

- 4.178 The Commission has analysed the calculation submitted by the Petitioner where the Petitioner submitted that the first and second restructuring were part of the package to reduce the interest rate to 10.50% and were done in two stages and should be considered accordingly. Based on the calculations submitted by the Petitioner (received by the Petitioner from ICICI Bank), the Commission has considered the first two restructuring as a part of package and approves the debt restructuring cost paid by the Petitioner towards the same. The Commission also approves the debt restructuring cost paid by the Petitioner towards the third restructuring.
- 4.179 For the approved debt restructuring amount of Rs 68.02 Cr, the Commission has continued with the mechanism of recovery of the principal amount as stated in the previous tariff order dated 24 February 2007. The principal amount of the debt restructuring expenditure will be recovered over a period of eight years as part of the capacity charges beginning FY09 at a carrying cost of 8% p.a.
- 4.180 The Commission has recomputed the carrying cost of this expenditure and repayment based on the latest submission of the Petitioner and approves the same as part of the Capacity charges:

**Table 79: Trued Up Interest on Debt Restructuring for the FY04 to FY08 (Rs Cr)**

Particulars	Past Tariff Order					True Up				
	FY04	FY05	FY06	FY07	FY08	FY04	FY05	FY06	FY07	FY08
Total Opening Balance	0.00	20.00	44.43	56.83	56.83	0.00	20.00	55.62	68.02	68.02
Total Drawdowns	20.00	24.43	12.40	0.00	0.00	20.00	35.62	12.40	0.00	0.00
Total Repayment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Closing Balance	20.00	44.43	56.83	56.83	56.83	20.00	55.62	68.02	68.02	68.02
Rate of Interest	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%
<b>Total Interest</b>	<b>0.20</b>	<b>2.58</b>	<b>4.05</b>	<b>4.55</b>	<b>4.55</b>	<b>0.37</b>	<b>3.36</b>	<b>5.19</b>	<b>5.44</b>	<b>5.44</b>

### **Annual Fixed Charge for Baspa II HEP**

- 4.181 Based on the discussions in the preceding sections, the various components of tariff trued up by the Commission for the period FY04 to FY08 are summarized in paragraphs below.
- 4.182 The total Annual Fixed Charges with the components of the capacity charges, primary energy charges and incentives and taxes recomputed and trued up based on the actual generation for the period FY04 to FY08 and detailed in the previous sections in this chapter are summarized below:

## MULTI YEAR TARIFF ORDER (FY09-FY11)

**Table 80: Trued Up Annual Fixed Charges for the Period FY04 to FY08 (Rs Cr)**

Particulars	FY04	FY05	FY06	FY07	FY08
<b>Capacity Charges</b>					
Interest on outstanding loans	117.41	116.25	102.46	97.99	89.56
Depreciation/Advance against Depreciation	55.21	65.96	65.96	65.96	65.96
Interest on normative loan related to debt restructuring expenditure	0.37	3.36	5.19	5.44	5.44
Repayment of normative loan related to debt Restructuring expenditure	0.00	0.00	0.00	0.00	0.00
Application fee	0.05	0.05	0.05	0.05	0.05
Financing charges related to HPSEB arrear payment	0.00	0.00	0.00	0.00	0.00
Less: Adjustments for ICF payments	7.83	5.80			
<b>Sub-total Capacity Charges</b>	<b>165.21</b>	<b>179.82</b>	<b>173.66</b>	<b>169.44</b>	<b>161.01</b>
<b>Primary Energy Charges</b>					
O&M Charges	16.98	19.17	20.32	21.54	22.84
RoE	65.20	73.63	73.63	73.63	73.63
Interest on Working Capital	5.37	5.16	5.09	5.47	5.96
<b>Sub-total Primary Charges</b>	<b>87.55</b>	<b>97.97</b>	<b>99.04</b>	<b>100.65</b>	<b>102.43</b>
<b>Incentives and Taxes</b>					
Incentive for Secondary Energy	15.88	0.00	0.00	21.22	0.00
Incentive for Higher Plant Availability	7.70	9.20	9.10	9.20	9.20
Minimum Alternative Tax	4.21	5.52	5.92	9.09	7.97
<b>Sub-total Incentives and Taxes</b>	<b>27.79</b>	<b>14.72</b>	<b>15.02</b>	<b>39.51</b>	<b>17.18</b>
<b>Total Annual Fixed Charges</b>	<b>280.55</b>	<b>292.51</b>	<b>287.73</b>	<b>309.61</b>	<b>280.62</b>

4.183 The resultant trued up tariffs for the station for the period FY04 to FY08 are indicated in the table below:

**Table 81: Trued Up Tariffs for the Period FY04 to FY08**

Particulars	Unit	FY04	FY05	FY06	FY07	FY08
<b>Energy Generation</b>						
Saleable Primary Energy	MU	940.41	1041.93	1028.50	1050.05	1050.05
Saleable Secondary Energy	MU	53.47	0.00	0.00	71.48	0.00
<b>Total Generation</b>	<b>MU</b>	<b>993.88</b>	<b>1041.93</b>	<b>1028.50</b>	<b>1121.53</b>	<b>1050.05</b>
Total Annual Fixed Charges	Rs Cr	280.55	292.51	287.73	309.61	280.62
<b>Tariff for Total Energy</b>	<b>Rs/kWh</b>	<b>2.82</b>	<b>2.81</b>	<b>2.80</b>	<b>2.76</b>	<b>2.67</b>
Total Primary Energy Charges	Rs Cr	256.97	283.31	278.63	279.18	271.41
<b>Tariff for Primary Energy</b>	<b>Rs/kWh</b>	<b>2.73</b>	<b>2.72</b>	<b>2.71</b>	<b>2.66</b>	<b>2.58</b>

**Interest on Arrears Payable by the Board**

4.184 In the Tariff Order dated 24 February, 2007, the Commission had provided for the recovery of the arrears along with a carrying cost of 8% over a period of seven years starting FY08. These arrears were created because of the variation between the payments made by the Board to the Petitioner and the actual payments due for payment by the Board for the years FY04, FY05 and FY06.

4.185 The gap between the AFC approved by the Commission in the Tariff Order dated 24 February 2007 and the payments made by the Board for FY04, FY05 and FY06, and the arrears payable by the Board as computed by the Commission are given in Table 82 and Table 83 below:

**Table 82: Difference between AFC approved and Board Payment (Rs Cr)**

Particulars	FY04	FY05	FY06
Annual Fixed Charges as per TO 24 Feb 2007	271.66	306.61	329.74
Payments made by HPSEB, excluding rebate	200.22	252.23	269.58
Difference	71.44	54.38	60.16

4.186 The Commission had directed the Board in the Tariff Order dated 24 February 2007 to pay these arrears to the Petitioner in equal monthly instalments from FY08 onwards along with the bills due for payment.

**Table 83: Arrears Payable by the Board as per TO 24 February 2007 (Rs Cr)**

Particulars	FY04	FY05	FY06	FY07
Opening balance	0	74.30	136.81	210.32
Additions	71.4	54.4	60.2	0.00
Payments	0.00	0.00	0.00	0.00
Closing balance base amount	71.44	128.69	196.97	210.32
Interest rate (%)	8%	8%	8%	8%
Interest	2.86	8.12	13.35	16.83
Closing balance of payment	74.30	136.81	210.32	227.15

4.187 Subsequently, the Commission in its Order dated 7 February, 2008 in review petition no. 75/2007 & 94/2007 had decided that the entire arrears of prior period are to be paid to the Petitioner in FY09.

4.188 The Commission during the processing of the MYT tariff petition, directed the Petitioner to submit a jointly reconciled statement with the Board of payments made by the Board to JHPL during the last five years i.e. FY04 to FY08. The Petitioner in its submission dated 20 January 2009 submitted the statement jointly reconciled with the Board detailing the payments made to JHPL. The Commission has considered the reconciled statement for determination of the arrears payable by HPSEB to JHPL. The payments made as per the reconciled statement are given below:

**Table 84: Jointly Reconciled Statement of Payments made by Board to M/s JHPL (Rs Cr)**

Particulars	FY04	FY05	FY06	FY07	FY08
Payment made by HPSEB excluding rebate	207.11	250.84	264.02	330.74	390.84

4.189 The Commission has recomputed the arrears payable by the Board and the carrying costs, based on the trued up values of the various components of the Annual Fixed Charges (AFC) and the payments made by the Board for the period FY04 to FY08. The Commission has considered that the Board will pay the entire arrears of prior period in FY09 as per the Order dated 7 February, 2008.

4.190 The computations of the arrears payable by the Board are detailed in the table below:

**Table 85: Arrears Payable by the Board (Rs Cr)**

Particulars	FY04	FY05	FY06	FY07	FY08
Total Annual Fixed Charges	280.55	292.51	287.73	309.61	280.62
Payment made by HPSEB excluding rebate	207.11	250.84	264.02	330.74	390.84
Opening balance	0	76.38	125.83	160.55	151.42
Additions/(Subtractions)	73.45	41.67	23.71	(21.13)	(110.22)
Payments	0.00	0.00	0.00	0.00	0.00
Closing balance base amount	73.45	118.06	149.54	139.42	41.20
Interest rate (%)	8%	8%	8%	8%	8%
Interest	2.94	7.78	11.01	12.00	7.70
Closing balance of payment	76.38	125.83	160.55	151.42	48.91

4.191 The Commission keeping in line with its Tariff Order dated 24 February 2007, has decided to consider this arrear amount outside the tariff mechanism.

**A5: ANALYSIS OF THE TARIFF PETITION FOR THE CONTROL PERIOD****Introduction**

- 5.1 This section of the Tariff Order details the analysis of the Petition filed by the Petitioner for the MYT Control Period from FY09 to FY11 for determination of tariff for sale of energy to the Board.
- 5.2 The Commission has finalised this Order based on the review and analysis of the past records, information submissions, necessary clarifications submitted by the Petitioner and views expressed by the Board. The following sections contain the detailed analysis of the various components of tariff based on the various submissions of the Petitioner.

**Energy Generation from the Plant****Energy Generation for MYT Period (FY09 – FY11)**

- 5.3 As per the Business Plan submitted by the Petitioner, Baspa HEP is projected to generate 1050.06 MU of primary energy and 70 MU of secondary energy during each year of the Control Period as summarised in Table 86. The plant is projected to maintain an availability of 98% as against normative availability of 90% during the Control Period.
- 5.4 The Commission has considered the generation of primary energy at 1050.06 MU for each year of the Control Period. The secondary energy generation has been taken as 0 MU and the plant availability has been considered at normative plant availability of 90% for the Control Period and will be subsequently trued up at the end of the Control Period based on the actual generation of secondary energy and actual plant availability.

**Table 86: Energy Generation Plan for MYT Period (FY09 to FY11)**

<b>Particulars</b>	<b>FY08</b>	<b>FY09</b>	<b>FY10</b>	<b>FY11</b>
	<b>Estimated</b>	<b>Projected</b>	<b>Projected</b>	<b>Projected</b>
<b>Generation of Energy (MU)</b>				
Primary Energy	1050.06	1050.06	1050.06	1050.06
Secondary Energy	0.00	0.00	0.00	0.00
<b>Total Energy</b>	<b>1050.06</b>	<b>1050.06</b>	<b>1050.06</b>	<b>1050.06</b>
<b>Plant Availability (%)</b>				
Normative	90%	90%	90%	90%
Projected	98%	98%	98%	98%



**New Loans Availed for Prepayment**

- 5.5 The Petitioner in its additional submission dated 7 October, 2008 has submitted that it has availed fresh loans of Rs 50.00 Cr from IFCI and Rs 100.00 Cr from IDBI and prepaid the outstanding loans of State Bank of Patiala (Rs 18.18 Cr), State Bank of Travancore (Rs 18.18 Cr), Central Bank of India (Rs 36.36 Cr) and ICICI Bank partly (Rs 67.38 Cr). In the case of State Bank of Travancore, the Petitioner has paid the prepayment premium from the loan drawn from IFCI.
- 5.6 As per the loan documents submitted by the Petitioner, the sanctioned loan amount of Rs 50.00 Cr from IFCI carries an interest rate of 10.50% with interest reset every three years from the date of disbursement and repayment in 32 installments over 8 years commencing from July 2008.
- 5.7 The sanctioned loan amount is of Rs 100.00 Cr from IDBI, the first drawdown of Rs. 86.86 Cr is at an interest rate of 10.50% and the second drawl of Rs 9.54 Cr at 12,75%. The interest is payable monthly, with interest reset at the end of two years from the date of first disbursement and every two year thereof. The loan is to be repaid in 32 installments over 8 years commencing from August 2008.
- 5.8 The details of the loans prepaid as submitted by the Petitioner are given below:

**Table 87: Loans Prepaid as per Petitioner**

Loan	Date	Amount Rs Cr	Rate of Interest of New Loan
<b>Loans prepaid by availing Rs 50.00 Cr loan from IFCI</b>			
State Bank of Patiala (SBOP)	15.05.2008	18.18	10.50%
State Bank of Travancore (SBOT)	15.05.2008	18.18	
ICICI Bank	01.08.2008	13.28	
Prepayment Premium to SBOT	15.05.2008	0.36	
<b>Loans prepaid by availing Rs 100.00 Cr loan from IDBI</b>			
First Drawl			10.50%
Central Bank of India	06.06.2008	36.36	
ICICI Bank	07.07.2008	50.00	
Second Drawl			12.75%
State Bank of Mysore	13.12.2008	9.54	

- 5.9 The Petitioner has also submitted that it has incurred an expenditure of Rs 2.34 Cr for the debt restructuring by way of swapping of loans and includes upfront fee for new loans and prepayment premium of swapped loans. The details as submitted are reproduced below.

**Table 88: Details of Debt Restructuring Expenditure as per Petitioner**

Expenditure	Amount Rs Lakhs
Upfront fee to IFCI	12.50

<b>Expenditure</b>	<b>Amount Rs Lakhs</b>
Upfront fee to IDBI	28.09
Prepayment Premium to SBOP	36.36
Prepayment Premium to SBOT	36.35
Prepayment Premium to CBI	72.72
Differential interest to IFCI for reduction of interest rate	19.94
Additional upfront fee to IDBI	28.09
Prepayment Premium to SBOM	50.00
<b>Total</b>	<b>280.44</b>

5.10 The Commission in the true up chapter of this Tariff Order has determined the outstanding loan amount as of 31 March 2008. The Commission has considered the outstanding loan amounts for SBOP, SBOT and CBI as per Commission's calculations as on the date of prepayment for determining the disbursed loan amounts from IFCI and IDBI for debt restructuring. As ICICI bank loan has been partially prepaid by the Petitioner, the figure as submitted by the Petitioner has been considered by the Commission.

5.11 The details of the outstanding loan amounts for SBOP, SBOT, CBI, SBOM and ICICI bank prepaid as per the Commission are given below:

**Table 89: Loans Prepayment considered by Commission**

<b>Loan</b>	<b>Amount Rs Cr</b>
State Bank of Patiala (SBOP)	16.36
State Bank of Travancore (SBOT)	18.18
Central Bank of India (CBI)	36.36
State Bank of Mysore (SBOM)	9.54
ICICI Bank	67.38
<b>Total</b>	<b>147.82</b>

5.12 The Commission has calculated the prepayment premium for SBOP, SBOT and CBI @ 2% of the prepayment amounts as per the loan details. The Commission has considered the prepayment premium paid for SBOT as part of the debt restructuring cost and not as part of IFCI loan as treated by the Petitioner. As the loans availed from IFCI and IDBI are for retiring old loans which are capital in nature, the SBOT prepayment premium being expenditure cannot be considered as part of new loans which are also capital in nature.

5.13 The revised expenditure on debt restructuring as approved by the Commission is as given below.

**Table 90: Details of Debt Restructuring Expenditure as per Commission**

<b>Expenditure</b>	<b>Amount Rs Lakhs</b>
Upfront fee to IFCI	12.50
Upfront fee to IDBI	28.09

<b>Expenditure</b>	<b>Amount Rs Lakhs</b>
Prepayment Premium to SBOP	32.73
Prepayment Premium to SBOT	36.36
Prepayment Premium to CBI	72.73
Differential interest to IFCI for reduction of interest rate	19.94
Additional upfront fee to IDBI	28.09
Prepayment Premium to SBOM	50.00
<b>Total</b>	<b>280.44</b>

- 5.14 The Commission has considered that the of the total loan prepayment of Rs 147.82 Cr, Rs 47.82 Cr has been drawn from IFCI and Rs 100.00 Cr has been drawn from IDBI. The respective loans which have been repaid by availing IFCI and IDBI loans are tabulated below:

**Table 91: Loans Prepaid as per Commission**

<b>Loan</b>	<b>Date</b>	<b>Amount Rs Cr</b>	<b>Rate of Interest of New Loan</b>
<b>Loans prepaid by availing loan from IFCI</b>			
State Bank of Patiala (SBOP)	15.05.2008	16.36	10.50%
State Bank of Travancore (SBOT)	15.05.2008	18.18	
ICICI Bank	01.08.2008	13.28	
<b>Total IFCI Loan</b>		<b>47.82</b>	<b>10.50%</b>
<b>Loans prepaid by availing loan from IDBI</b>			
First Drawl			
Central Bank of India	06.06.2008	36.36	10.50%
ICICI Bank	07.07.2008	50.00	
Second Drawl			
State Bank of Mysore	13.12.2008	9.54	12.75%
ICICI Bank	12.12.2008	4.10	
<b>Total</b>		<b>100.00</b>	<b>10.81%</b>

- 5.15 The debt restructuring expenditure of Rs 2.80 Cr will be recovered similar to other debt restructuring expenditure as detailed in para 4.179.

### **Interest on Loans**

- 5.16 The Commission has calculated and approved the interest on loans as per the interest rates charged by respective banks as submitted by the Petitioner through its submission dated 18 August 2008, 7 October 2008, 25 November 2008, 18 December 2008, 20 January 2009, 4 February 2009, 26 February 2009 and 16 March 2009. The rate of interest charged by the institutions and bank during the Control Period are tabulated below:

**Table 92: Institution/ Bank wise Rate of Interest for the Control Period**

Loan	Applicable Rate of Interest	
	p.a.	Upto/ w.e.f
IDBI	10.50%	w.e.f 01.01.2004
PFC	16.84%	w.e.f 15.10.2007
	13.15%	w.e.f 15.10.2008
IFCI Deb/ UTI Bank	10.00%	w.e.f 12.08.2004
IIBI	10.50%	w.e.f 01.04.2005
ICICI NCD	8.50%	Upto 14.06.2008
	13.15%	w.e.f 15.06.2008
LIC	10.50%	w.e.f 01.01.2004
Bank of Baroda	10.50%	Upto 31.07.2008
	11.75%	w.e.f 01.08.2008
Punjab National Bank	10.50%	w.e.f 29.11.2008
Indian Overseas Bank	10.50%	w.e.f 01.04.2007
Central Bank of India	11.00%	Upto 06.06.2008
		Prepaid on 06.06.2008
State Bank of Indore	10.50%	w.e.f 01.04.2007
State Bank of Patiala	13.00%	Upto 18.05.2008
		Prepaid on 15.05.2008
State Bank of Mysore	12.75%	Upto 09.08.2008
	13.75%	w.e.f 10.08.2008
	13.00%	w.e.f. 10.11.2008
		Prepaid on 13.12.2008
State Bank of Travancore	12.50%	w.e.f 09.04.2007
		Prepaid on 15.05.2008
State Bank of Hyderabad	12.50%	Upto 02.07.2008
	13.00%	w.e.f 03.07.2008
	13.50%	w.e.f 04.08.2008
	14.00%	w.e.f 13.10.2008
	13.25%	w.e.f 10.11.2008
IFCI (New)	10.50%	w.e.f. 15.05.2008
IDBI (New)	10.50%	w.e.f. 06.06.2008
	10.81%*	w.e.f. 12.12.2008

\* weighted average rate of interest.

5.17 The Commission has considered the interest rates, as per the letters from banks, to be applicable for the complete duration of Control Period. Any reset of interest rates during the Control Period will be trued up in the next tariff period.

5.18 For the foreign currency loans for which the interest rates are pegged w.r.t the LIBOR rates, the Commission has considered the LIBOR rates for calculation of the interest charges as per the provision of the respective loan agreements. The interest charges calculated for the FCL are inclusive of the DPG commission due to PFC. The interest

rates considered for FCL are tabulated below:

**Table 93: Interest Rates for FCL for the Control Period**

Loan	Applicable Rate of Interest	
	p.a	Period
Credit Lyonnais Loan	7.46%	FY09
	7.42%*	FY10
	7.42%*	FY11
Hypo Bank & VA Tech	5.45%	FY09 H1
	5.45%	FY09 H2
	3.94%*	FY10
	3.94%)	FY11
IDBI FCL	7.20%	FY09 Q1
	7.29%	FY09 Q2
	8.38%	FY09 Q3
	5.94%	FY09 Q4
	5.94%	FY10
	5.94%	FY11

\* Service tax reduced to 10.30%

- 5.19 In the paragraphs below, the Commission has determined the interest charges and loan repayment on the various loans for the Control Period. Except for the new loans, the Commission has given details of all the loans considered by it for the determination of tariff in the Chapter A4:.

#### **IDBI Loan**

- 5.20 For the MYT Period (FY09 - FY11), the Commission has considered the loan repayment of Rs 7.72 Cr per annum as considered in previous years. The rate of interest applicable has been taken at 10.50% for the Control Period. The repayment and interest charges approved for the Control Period are tabulated below:

**Table 94: IDBI Loan Repayment and Interest (Rs Cr)**

Loan	Control Period		
	FY09	FY10	FY11
Opening Balance	61.79	54.07	46.34
Addition	0.00	0.00	0.00
Principal Repayment	7.72	7.72	7.72
Closing Balance	54.07	46.34	38.62
Interest Payment	5.98	5.17	4.36

#### **Power Finance Corporation Loan**

- 5.21 The Petitioner in its submission dated 18 December, 2008, submitted that PFC has given effect to the realignment of interest rate at 10.50% from 15 October, 2004 to 31

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March, 2005, 11.15% from 1 April 2005 to 14 October, 2007 and 13.15% p.a. w.e.f from 15 October, 2007.

- 5.22 PFC in its letter dated 6 January, 2009, submitted by the Petitioner through its submission dated 200 January, 2009, has stated that the excess interest paid by JHPL to PFC for the period 15 January 2005 to 15 October 2008, after adjustment of the interest restructuring premium of Rs 5.94 Cr will be adjusted from the future TRL demand of JHPL and has provided the schedule in which the adjustment will take place. The adjustment of the excess interest charged starts from 15 November 2008 and ends on 15 September 2009.
- 5.23 The Commission based on the information submitted by the Petitioner has considered the interest rate of 16.84% as applicable till 14 October 2008 and the revised interest rate at 13.15% from 15 October 2008, for rest of the Control Period. Interest refund to be received as per the schedule provided by PFC has been adjusted against the future interest projected to be paid by the Petitioner.
- 5.24 For the MYT Period (FY09 - FY11), the Commission has considered the loan repayment of Rs 17 Cr per annum as considered in previous years.

**Table 95: PFC Loan Repayment and Interest (Rs Cr)**

Loan	Control Period		
	FY09	FY10	FY11
Opening Balance	114.75	97.75	80.75
Addition	0.00	0.00	0.00
Principal Repayment	17.00	17.00	17.00
Closing Balance	97.75	80.75	63.75
Interest Payment*	10.67	(6.42)	9.31
Interest Refund*	5.32	17.96	-

\*Interest Refund has been subtracted from Interest Payable and considered while arriving at Interest Payment shown above

### **IFCI Debentures/ UTI Bank Loan**

- 5.25 For the MYT Period (FY09 - FY11), the Commission has considered the loan repayment of Rs 17.03 Cr per annum as considered in previous years. The rate of interest applicable has been taken at 10.00% for the Control Period. The repayment and interest charges approved for the Control Period are tabulated below:

**Table 96: IFCI Debentures/ UTI Bank Loan Repayment and Interest (Rs Cr)**

Loan	Control Period		
	FY09	FY10	FY11
Opening Balance	136.22	119.19	102.16
Addition	0.00	0.00	0.00
Principal Repayment	17.03	17.03	17.03
Closing Balance	119.19	102.16	85.13

Loan	Control Period		
	FY09	FY10	FY11
Interest Payment	12.62	10.92	9.22

**IIBI Loan**

- 5.26 For the MYT Period (FY09 - FY11), the Commission has considered the loan repayment of Rs 1.14 Cr per annum as considered in previous years. The rate of interest applicable has been taken at 10.50% for the Control Period. The repayment and interest charges approved for the Control Period are tabulated below:

**Table 97: IIBI Loan Repayment and Interest (Rs Cr)**

Loan	Control Period		
	FY09	FY10	FY11
Opening Balance	10.24	9.10	7.96
Addition	0.00	0.00	0.00
Principal Repayment	1.14	1.14	1.14
Closing Balance	9.10	7.96	6.82
Interest Payment	1.00	0.88	0.76

**ICICI Bank Non Convertible Debentures**

- 5.27 The Petitioner in its submission dated 7 October 2008 has submitted the bank email dated 13 June 2008 informing the Petitioner, that the interest rate applicable on the loan is reset to 13.15% from 15 June 2008 vis-à-vis the earlier interest rate of 8.5%. The Petitioner has also submitted that the loan was partially prepaid during FY09 by availing fresh loans from IFCI and IDBI. Rs 50.00 Cr was prepaid on 7 July 2008, Rs. 13.28 Cr on 1 August 2008 and Rs 4.10 Cr on 12 December 2008.
- 5.28 The Commission for the Control Period has taken into consideration the loans prepaid and has determined the interest charges at 13.15%.

**Table 98: ICICI Bank Non Convertible Debentures Repayment and Interest (Rs Cr)**

Loan	Control Period		
	FY09	FY10	FY11
Opening Balance	109.09	28.08	14.44
Addition	0.00	0.00	0.00
Prepayment (partially prepaid)	67.38	0.00	0.00
Principal Repayment	13.64	13.64	13.64
Closing Balance	28.08	14.44	0.81
Interest Payment	6.29	2.64	0.85

**LIC Loan**

- 5.29 For the MYT Period (FY09 - FY11), the Commission has considered the loan

repayment of Rs 1.36 Cr per annum as considered in previous years. The rate of interest applicable has been taken at 10.50% for the Control Period. The repayment and interest charges approved for the Control Period are tabulated below:

**Table 99: LIC Loan Repayment and Interest (Rs Cr)**

Loan	Control Period		
	FY09	FY10	FY11
Opening Balance	10.91	9.55	8.18
Addition	0.00	0.00	0.00
Principal Repayment	1.36	1.36	1.36
Closing Balance	9.55	8.18	6.82
Interest Payment	1.06	0.92	0.78

### **Bank of Baroda Loan**

- 5.30 For the MYT Period (FY09 - FY11), the Commission has considered the loan repayment of Rs 4.17 Cr per annum as considered in previous years. The Petitioner in its submission dated 7 October 2008 has submitted the bank letter dated 22 September 2008 informing that the interest rate applicable on the loan will be charged at 11.75% p.a. with effect from 1 August 2008 vis-à-vis the existing rate of 10.50% p.a.
- 5.31 The Commission for the Control Period has determined the interest charges considering interest rate of 10.50% applicable till 31 July 2008 and then at 11.75% for the rest of the Control Period. The repayment and interest charges approved for the Control Period are tabulated below:

**Table 100: BOB Loan Repayment and Interest (Rs Cr)**

Loan	Control Period		
	FY09	FY10	FY11
Opening Balance	37.50	33.33	29.17
Addition	0.00	0.00	0.00
Principal Repayment	4.17	4.17	4.17
Closing Balance	33.33	29.17	25.00
Interest Payment	3.96	3.63	3.14

### **Punjab National Bank Loan**

- 5.32 For the MYT Period (FY09 - FY11), the Commission has considered the loan repayment of Rs 4.49 Cr per annum as considered in previous years. The rate of interest applicable has been taken at 10.50% for the Control Period. The repayment and interest charges approved for the Control Period are tabulated below:



**Table 101: PNB Loan Repayment and Interest (Rs Cr)**

Loan	Control Period		
	FY09	FY10	FY11
Opening Balance	35.93	31.44	26.95
Addition	0.00	0.00	0.00
Principal Repayment	4.49	4.49	4.49
Closing Balance	31.44	26.95	22.46
Interest Payment	3.50	3.02	2.55

**Indian Overseas Bank Loan**

- 5.33 The bank through its letter dated 24 March 2008 has reset the interest rate @ 10.50% p.a. to be charged from 1 April 2007 till 31 March 2010. The excess interest amounting to Rs 11.48 lakhs, charged extra during the period from 1 April 2007 to 31 August 2008 shall be refunded by the bank by adjusting against the future interest to be recovered starting 31 July 2008. The Petitioner in its submission dated 4 February, 2009 has provided the details of the excess interest refunded by the bank.
- 5.34 The Commission has determined the interest charge against the outstanding loan, taking into consideration the submission made by the Petitioner and has considered the actual interest rates applicable for the relevant period, prior to the reset, and has adjusted the interest refund amount against the future interest to be serviced by the Petitioner.
- 5.35 For the MYT Period (FY09 - FY11), the Commission has considered the loan repayment of Rs 4.55 Cr per annum as considered in previous years. The rate of interest applicable has been taken at 10.50% for the Control Period. The repayment and interest charges approved for the Control Period are tabulated below:

**Table 102: IOB Loan Repayment and Interest (Rs Cr)**

Loan	Control Period		
	FY09	FY10	FY11
Opening Balance	36.36	31.82	27.27
Addition	0.00	0.00	0.00
Principal Repayment	4.55	4.55	4.55
Closing Balance	31.82	27.27	22.73
Interest Payment*	2.73	3.06	2.58
Interest Refund*	1.15		

\* Interest Refund has been subtracted from Interest Payable and considered while arriving at Interest Payment shown above

**Central Bank of India Loan**

- 5.36 The Petitioner in its submission dated 20 January, 2009 has submitted the Statement of Account wherein it has been listed that the rate of interest was reset from 12.00% to 11.00%. Further, in its submission dated 7 October 2008, the Petitioner has

submitted that it has prepaid the loan on 6 June 2008 by availing fresh loan from IDBI.

- 5.37 The Commission has determined the interest charges on the loan till the date of prepayment at the interest rate of 11.00% as per Petitioner's submission. The repayment and interest charges approved for the Control Period are tabulated below:

**Table 103: CBI Loan Repayment and Interest (Rs Cr)**

Loan	Control Period		
	FY09	FY10	FY11
Opening Balance	36.36	0.00	0.00
Addition	0.00	0.00	0.00
Prepayment	36.36	-	-
Principal Repayment	0.00	0.00	0.00
Closing Balance	0.00	0.00	0.00
Interest Payment	0.72	-	-

#### **State Bank of Indore Loan**

- 5.38 The Petitioner has submitted that the bank through bank's letter dated 10 October, 2007, had reset the interest rate from existing 11.50% to 10.50% effective from 1 April, 2007 with three year reset and the next reset will be 31 March 2010.
- 5.39 The Commission has determined the interest charges for the Control Period at the rate of 10.50%. The interest rate for the last year of the Control Period has been taken as 10.50% which shall be trued up based on actual rate of interest at the end of the Control Period.
- 5.40 For the MYT Period (FY09 - FY11), the Commission has considered the loan repayment of Rs 4.55 Cr per annum as considered in previous years. The rate of interest applicable has been taken at 10.50% for the Control Period. The repayment and interest charges approved for the Control Period are tabulated below:

**Table 104: SBoI Loan Repayment and Interest (Rs Cr)**

Loan	Control Period		
	FY09	FY10	FY11
Opening Balance	15.27	13.36	11.45
Addition	0.00	0.00	0.00
Principal Repayment	1.91	1.91	1.91
Closing Balance	13.36	11.45	9.54
Interest Payment	1.49	1.29	1.09

#### **State Bank of Patiala Loan**

- 5.41 The Petitioner in its submission dated 7 October 2008, has submitted that the loan has

been prepaid on 15 May 2008 by availing fresh loan from IFCI. The interest rate applicable till the day of prepayment was 13.00%.

- 5.42 The Commission has considered the submission made and has determined the interest charges on the loan at 13.00% till the date of prepayment. The repayment and interest charges approved for the Control Period are tabulated below:

**Table 105: SBoP Loan Repayment and Interest (Rs Cr)**

Loan	Control Period		
	FY09	FY10	FY11
Opening Balance	16.36	0.00	0.00
Addition	0.00	0.00	0.00
Prepayment	16.36	-	-
Principal Repayment	0.00	0.00	0.00
Closing Balance	0.00	0.00	0.00
Interest Payment	0.26	-	-

#### **State Bank of Mysore Loan**

- 5.43 The Petitioner has submitted that the following rates of interest were charged by the bank on the loan outstanding.

- (a) @ 12.75% p.a. w.e.f 10 April, 2007 to 9 August, 2008
- (b) @ 13.75% p.a. w.e.f 10 August, 2008 to 9 November, 2008
- (c) @ 13.00% p.a. w.e.f 10 November, 2008 to 13 December, 2008 (prepaid)

- 5.44 As per submission dated 4 February 2009, the outstanding loan amount of Rs 9.54 Cr has been prepaid on 13 December 2008 by availing loan from IDBI bank.

- 5.45 The Commission has determined the interest charges on the loan taking into due consideration the submissions made by the Petitioner. The repayment and interest charges approved for the Control Period are tabulated below:

**Table 106: SBoM Loan Repayment and Interest (Rs Cr)**

Loan	Control Period		
	FY09	FY10	FY11
Opening Balance	10.91	0.00	0.00
Addition	0.00	0.00	0.00
Prepayment	9.55	-	-
Principal Repayment	1.36	0.00	0.00
Closing Balance	0.00	0.00	0.00
Interest Payment	0.95	-	-

**State Bank of Travancore Loan**

- 5.46 The Petitioner in its submission dated 7 October 2008, has submitted that the loan has been prepaid on 15 May 2008 by availing fresh loan from IFCI. The interest rate applicable till the day of prepayment was 12.50%.
- 5.47 The Commission has considered the submission made and has determined the interest charges on the loan at 12.50% till the date of prepayment. The repayment and interest charges approved for the Control Period are tabulated below:

**Table 107: SBoM Loan Repayment and Interest (Rs Cr)**

Loan	Control Period		
	FY09	FY10	FY11
Opening Balance	18.18	0.00	0.00
Addition	0.00	0.00	0.00
Prepayment	18.18	-	-
Principal Repayment	0.00	0.00	0.00
Closing Balance	0.00	0.00	0.00
Interest Payment	0.27	-	-

**State Bank of Hyderabad Loan**

- 5.48 The Petitioner has submitted the bank letter dated 25 November, 2008 informing the details of the effective interest rates applicable on the loans. The banks charged the following rates as per the letter.
- (a) @ 12.50% p.a w.e.f 12 April, 2007 to 2 July 2008
  - (b) @ 13.00% p.a w.e.f 3 July 2008 to 3 August 2008
  - (c) @ 13.50% p.a. w.e.f 4 August 2008 to 12 October 2008
  - (d) @ 14.00% p.a. w.e.f 13 October 2008 to 9 November 2008
  - (e) @ 13.25% p.a. w.e.f 10 November 2008 till date
- 5.49 For the Control Period, the Commission has considered and determined the interest charges on the loan as per the submission of the Petitioner. It has considered the interest rate of 13.25% for the remaining control period. The repayment and interest charges approved for the Control Period are tabulated below:

**Table 108: SBoH Loan Repayment and Interest (Rs Cr)**

Loan	Control Period		
	FY09	FY10	FY11
Opening Balance	16.01	14.01	12.01
Addition	0.00	0.00	0.00

Loan	Control Period		
	FY09	FY10	FY11
Principal Repayment	2.00	2.00	2.00
Closing Balance	14.01	12.01	10.01
Interest Payment	1.95	1.70	1.44

**IFCI Loan (New)**

- 5.50 The Commission has approved the fresh loan of Rs 47.82 Cr availed by the Petitioner for retiring loans of SBoP (Rs 16.36 Cr), SBoT (Rs 18.18 Cr) and ICICI Bank (Rs 13.28 Cr). The tenure of the loan is 8 years with 32 principal repayments and the rate of interest on the loan is 10.50%.
- 5.51 For the Control Period, the Commission has considered and determined the interest charges on the loan as per the submission of the Petitioner. The repayment and interest charges approved for the Control Period are tabulated below:

**Table 109: New IFCI Loan Repayment and Interest (Rs Cr)**

Loan	Control Period		
	FY09	FY10	FY11
Opening Balance	0.00	41.85	35.87
Addition	47.82	0.00	0.00
Principal Repayment	5.98	5.98	5.98
Closing Balance	41.85	35.87	29.89
Interest Payment	3.70	4.03	3.40

**IDBI Loan (New)**

- 5.52 The Commission has approved the fresh loan of Rs 100.00 Cr availed by the Petitioner for retiring loans of CBI (Rs 36.36 Cr), SBoM (Rs 9.54 Cr) and ICICI Bank (Rs 50.00 Cr and Rs 4.10 Cr). The tenure of the loan is 8 years with 32 principal repayments and the average rate of interest on the loan is 10.81%.
- 5.53 For the Control Period, the Commission has considered and determined the interest charges on the loan as per the submission of the Petitioner. The repayment and interest charges approved for the Control Period are tabulated below:

**Table 110: New IDBI Loan Repayment and Interest (Rs Cr)**

Loan	Control Period		
	FY09	FY10	FY11
Opening Balance	0.00	87.50	75.00
Addition	100.00	0.00	0.00
Principal Repayment	12.50	12.50	12.50
Closing Balance	87.50	75.00	62.50

Loan	Control Period		
	FY09	FY10	FY11
Interest Payment	6.67	8.61	7.26

**Credit Lyonnais Loan**

- 5.54 The rate of interest on the Credit Lyonnais loan is a fixed rate interest rate of 5.66% for whole tenure plus the a payment guarantee commission (PGC) of 1.60% levied on by PFC and the service tax.
- 5.55 The Commission has determined the interest charges on the loan at the rate of 7.46% for FY09 and 7.42% for the remaining control period consisting of 5.66% fixed interest rate charged by Credit Lyonnais Bank, 1.60% PGC on PFC Guarantee and the applicable service tax on PGC. The interest payments and the repayments have been calculated in dollar terms and then converted to equivalent rupee terms by applying the foreign exchange conversion rate. For FY09, the Commission has considered actual foreign exchange rate on the date of interest/principal repayment as submitted by the Petitioner (Rs 40.13 to 1 USD on 26 April 2008 and Rs 50.36 to 1 USD on 27 October 2008). For the remaining of the control period, the Commission has considered actual foreign exchange rate of Rs 50.36 to 1 USD prevalent as on 27 October 2008, the last principal repayment date.
- 5.56 The variation in rupee terms in the interest charges due to the foreign exchange rate variation during the Control Period shall be trued up by the Commission as per the actual foreign exchange rate at the end of the Control Period.

**Table 111: Credit Lyonnais Loan Repayment and Interest (Rs Cr)**

Loan	Control Period		
	FY09	FY10	FY11
Opening Balance (US \$ Mn)	11.16	9.67	8.18
Addition (US \$ Mn)	0.00	0.00	0.00
Principal Repayment (US \$ Mn)	1.49	1.49	1.49
Closing Balance (US \$ Mn)	9.67	8.18	6.69
Interest Payment (US\$ Mn)	0.80	0.69	0.58
<b>Equivalent Rupee</b>			
Opening Balance (Rs Cr)	44.76	48.69	41.20
Addition (Rs Cr)	0.00	0.00	0.00
Principal Repayment (Rs Cr)	6.73	7.49	7.49
Closing Balance (Rs Cr)	48.69	41.20	33.71
Interest Payment (Rs Cr)	3.62	3.48	2.92

**Hypovereinsbank Loan & VaTech Finance Loan**

- 5.57 The interest rates applicable on these loans are floating interest rate pegged to LIBOR valid from time to time for periods of 6 month. The Commission has determined the interest charges on the loan at applicable interest rate consisting of 6 month LIBOR

plus margin rate charged by Hypovereinsbank and VaTech Finance, 1.60% PGC on PFC Guarantee and applicable service tax on PGC. The Commission has taken the LIBOR as applicable on two banking business days before the first day of the interest period, as published by British Banker's Association. For FY09, the Commission has considered the actual LIBOR rate applicable. For remaining of the control period, the Commission has considered the latest LIBOR rate which will be applicable for interest payment due on 25 July 2009.

- 5.58 The interest payments and the repayments have been calculated in dollar terms and then converted to equivalent rupee terms by applying the foreign exchange conversion rate. For FY09, the Commission has considered actual foreign exchange rate on the date of interest/principal repayment as submitted by the Petitioner (Rs 42.38 to 1 USD on 25 June 2008 and Rs 49.35 to 1 USD on 23 January 2009). For the remaining of the control period, the Commission has considered actual foreign exchange rate of Rs 49.35 to 1 USD prevalent as on 23 January 2008, the last principal repayment date.
- 5.59 The variation in the interest payments due to variation in the LIBOR and the variation in rupee terms in the interest charges due to the foreign exchange rate variation during the Control Period shall be trued up by the Commission as per the actual at the end of the Control Period.

**Table 112: Hypovereinsbank Loan Repayment and Interest (Rs Cr)**

Loan	Control Period		
	FY09	FY10	FY11
Opening Balance (US \$ Mn)	6.60	5.65	4.71
Addition (US \$ Mn)	0.00	0.00	0.00
Principal Repayment (US \$ Mn)	0.94	0.94	0.94
Closing Balance (US \$ Mn)	5.65	4.71	3.77
Interest Payment (US\$ Mn)	0.35	0.21	0.18
<b>Equivalent Rupee</b>			
Opening Balance (Rs Cr)	27.96	27.90	23.25
Addition (Rs Cr)	0.00	0.00	0.00
Principal Repayment (Rs Cr)	4.32	4.65	4.65
Closing Balance (Rs Cr)	27.90	23.25	18.60
Interest Payment (Rs Cr)	1.59	1.05	0.87

**Table 113: VaTech Finance Loan Repayment and Interest (Rs Cr)**

Loan	Control Period		
	FY09	FY10	FY11
Opening Balance (US \$ Mn)	6.70	5.74	4.78
Addition (US \$ Mn)	0.00	0.00	0.00
Principal Repayment (US \$ Mn)	0.96	0.96	0.96
Closing Balance (US \$ Mn)	5.74	4.78	3.83
Interest Payment (US\$ Mn)	0.35	0.22	0.18
<b>Equivalent Rupee</b>			

Loan	Control Period		
	FY09	FY10	FY11
Opening Balance (Rs Cr)	28.39	28.34	23.61
Addition (Rs Cr)	0.00	0.00	0.00
Principal Repayment (Rs Cr)	4.39	4.72	4.72
Closing Balance (Rs Cr)	28.34	23.61	18.89
Interest Payment (Rs Cr)	1.61	1.07	0.88

**IDBI Foreign Currency Loan**

- 5.60 The interest rate applicable is floating interest rate pegged to LIBOR valid from time to time for periods of 3 month. The Commission has determined the interest charges on the loan at applicable interest rate @ 4.5% over the 3 month LIBOR for United States Dollar. The Commission has taken the LIBOR rates applicable on the loan, two business days prior to January 1, April 1, July 1 and October 1, which is per the condition stipulated in the loan agreement. The Commission has taken the LIBOR as published by British Banker’s Association.
- 5.61 The LIBOR for the FY09 till January 2009 have been published by British Banker’s Association and the Commission has considered them for determining the interest charge till 31 December 2008. For the remainder of the Control Period, LIBOR as of 26 January 2009 has been considered for interest determination.
- 5.62 The interest payments and the repayments have been calculated in dollar terms and then converted to equivalent rupee terms by applying the foreign exchange conversion rate of Rs 48.00 to 1 USD prevalent as on 27 December 2008, the last principal repayment date, for the Control Period. The variation in the interest payments due to variation in the LIBOR and the variation in rupee terms in the interest charges due to the foreign exchange rate variation during the Control Period shall be trued up by the Commission as per the actual at the end of the Control Period.

**Table 114: IDBI FCL Loan Repayment and Interest (Rs Cr)**

Loan	Control Period		
	FY09	FY10	FY11
Opening Balance (US \$ Mn)	1.64	1.38	1.11
Addition (US \$ Mn)	0.00	0.00	0.00
Principal Repayment (US \$ Mn)	0.26	0.26	0.26
Closing Balance (US \$ Mn)	1.38	1.11	0.85
Interest Payment (US\$ Mn)	0.11	0.08	0.06
<b>Equivalent Rupee</b>			
Opening Balance (Rs Cr)	7.04	6.60	5.34
Addition (Rs Cr)	0.00	0.00	0.00
Principal Repayment (Rs Cr)	1.21	1.26	1.26
Closing Balance (Rs Cr)	6.60	5.34	4.09
Interest Payment (Rs Cr)	0.51	0.36	0.29



## MULTI YEAR TARIFF ORDER (FY09-FY11)

5.63 The principal repayment and the interest charges discussed above are summarized below.

**Table 115: Interest Charges on Outstanding Loans (Rs Cr)**

Loan	FY09	FY10	FY11
<b>ICL</b>			
Total Opening Balance	665.89	571.05	477.57
Total Repayment	242.68	93.48	93.48
Total Addition	147.83	-	
Total Closing Balance	571.05	477.57	384.08
Total Interest (Net of Refund)	63.83	39.46	46.73
<b>FCL</b>			
Total Opening Balance	108.15	111.53	93.41
Total Repayment	16.65	18.12	18.12
Total Closing Balance	111.53	93.41	75.29
Total Interest	7.33	5.96	4.96
<b>Total ICL + FCL</b>			
Total Opening Balance	774.05	682.58	570.98
Total Repayment	259.33	111.60	111.60
Total Addition	147.83		
Total Closing Balance	682.58	570.98	459.37
Total Interest (Net of Refund)	71.16	45.42	51.70

### Depreciation and Advance Against Depreciation

5.64 The Commission has computed and projected the depreciation and advance against depreciation for the period FY09 to FY11 as per Section 8.6.5.1 of the PPA.

5.65 The amount to be charged against depreciation and AAD during the Control Period as per the loan repayment approved is as detailed below:

**Table 116: Approved Depreciation and AAD for the Control Period (Rs Cr)**

Particulars		Control Period		
		FY09	FY10	FY11
1/12th of the Loan(s)	A	89.48	89.48	89.48
Repayment of the Loan(s) as considered for working out Interest on Loan	B	128.87	111.60	111.60
Minimum of the Above	C	89.48	89.48	89.48
<b>Less: Depreciation during the year</b>	D	65.96	65.96	65.96
A	E=C-D	23.52	23.52	23.52
Cumulative Repayment of the Loan(s) as considered for working out Interest on Loan	F	409.08	520.68	632.29

## MULTI YEAR TARIFF ORDER (FY09-FY11)

Particulars		Control Period		
		FY09	FY10	FY11
Less: Cumulative Depreciation	G	385.01	474.49	563.97
B	H=F-G	24.07	46.19	68.31
<b>Advance Against Depreciation</b>	A	23.52	23.52	23.52
<b>Depreciation + AAD</b>		<b>89.48</b>	<b>89.48</b>	<b>89.48</b>

### Operation and Maintenance Expenses

5.66 The Commission has approved the O&M expenses for the Control Period as per the PPA. The approved values are shown below.

**Table 117: Approved Operations & Maintenance Expenses for the Control Period (Rs Cr)**

Particulars	FY09	FY10	FY11
O&M Expense	24.21	25.66	27.20

### Return on Equity

5.67 The Commission has approved the return on equity as per Section 8.7.3 of the PPA and has computed the return on equity at 16% at an approved equity base of Rs 460.19 Cr.

5.68 The approved return on equity as computed by the Commission is tabulated below:

**Table 118: Approved Return on Equity for the Control Period (Rs Cr)**

Particulars	FY09	FY10	FY11
Equity (Opening Balance)	460.19	460.19	460.19
Net additions during the year	0.00	0.00	0.00
Equity (Closing Balance)	460.19	460.19	460.19
Rate of Return on Equity	16%	16%	16%
<b>Return on Equity</b>	<b>73.63</b>	<b>73.63</b>	<b>73.63</b>

### Interest on Working Capital

5.69 The rate of interest for calculating the interest on working capital has been taken as per the SBI PLR of 12.25% for the Control Period.

**Table 119: Approved Interest on Working Capital for the Control Period (Rs Cr)**

Particulars	FY09	FY10	FY11
1/12 <sup>th</sup> of O&M Expenses	2.02	2.14	2.27
Maintenance Spares 12% of O&M Expenses	2.90	3.08	3.26
Receivables equivalent to 2 months average billing	48.21	43.98	45.20
<b>Total Working Capital</b>	<b>53.13</b>	<b>49.20</b>	<b>50.73</b>
Rate of Interest	12.25%	12.25%	12.25%

Particulars	FY09	FY10	FY11
<b>Interest on Working capital</b>	<b>6.51</b>	<b>6.03</b>	<b>6.21</b>

**Incentive for Secondary Energy and Higher Plant Availability**

5.70 The Commission, for the Control Period, has considered secondary energy generation as 0 MU. The incentive for secondary energy generation shall be billed by the Petitioner to the Board as per the actual generation in the applicable tariff year as per the provisions of the PPA and the Commission will true up the incentive at the end of the Control Period.

**Table 120: Approved Incentive for Secondary Energy for Control Period**

Particulars	FY09	FY10	FY11
<b>Incentive for Secondary Energy</b>			
Secondary Energy Generation (MU)	0.00	0.00	0.00
<b>10% ROE* Secondary Energy/ 155 MU (Rs Cr)</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

5.71 For the Control Period, the Commission has considered the plant availability at 90% at the normative availability level. The incentive for higher plant availability shall be billed by the Petitioner to the Board as per the actual plant availability in the applicable tariff year as per the provisions of the PPA and the Commission will true up the incentive for higher plant availability at the end of the Control Period.

**Table 121: Approved Incentive for Higher Plant Availability for Control Period**

Particulars	FY09	FY10	FY11
<b>Incentive for Higher Plant Availability</b>			
Normative Plant Availability (%)	90.00	90.00	90.00
Proposed Plant Availability (%)	90.00	90.00	90.00
Higher Plant Availability (%)	0.00	0.00	0.00
<b>Incentive(Rs Cr)</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

**Income Tax**

5.72 The Petitioner in its submission for the Control Period has calculated the Income Tax at the applicable rate of MAT of 10% plus Surcharges at 10% of basic rate plus education cess of 3% on book profits projected for each year of the Control Period. The effective MAT rate works out to 11.33%.

5.73 The Commission has noted that the Petitioner has calculated the MAT on the book profits projected for each year on the Control Period and not as per the Section 8.11.1 of the PPA. The Commission has calculated and approved the tax on income as per the Section 8.11.1 as detailed in Para 4.165.

5.74 The summary of the income tax approved for the Control Period is provided in the table below:

**Table 122: Approved Income Tax for the Control Period (Rs Cr)**

Particulars	FY09	FY10	FY11
Income Tax	10.12	10.12	10.12

5.75 The actual income tax liability of the Board for the Control Period will be trued up by the Commission based on the performance of the Petitioner.

### **Amortisation of Cost of Debt Restructuring**

5.76 The Commission has continued with the mechanism of recovery of the principal amount as stated in the previous Tariff Order dated 24 February 2007. The principal amount of the debt restructuring expenditure will be recovered over a period of eight years as part of the capacity charges beginning FY09 at a carrying cost of 8% p.a.

5.77 The additional debt restructuring expenditure incurred in FY09 as discussed in Para 5.5 to Para 5.11 has been included in the recovery mechanism.

5.78 The Commission has recomputed the carrying cost of this expenditure and repayment based on the latest submission of the Petitioner and approves the same as part of the capacity charges:

**Table 123: Approved Interest on Debt Restructuring for the Control Period (Rs Cr)**

Particulars	FY09	FY10	FY11
Total Opening Balance	68.02	61.97	53.12
Total Drawdowns	2.80	0.00	0.00
Total Repayment	8.85	8.85	8.85
Total Closing Balance	61.97	53.12	44.26
Rate of Interest	8%	8%	8%
<b>Total Interest</b>	<b>5.20</b>	<b>4.60</b>	<b>3.90</b>

### **Interest on Arrears Payable by the Board**

5.79 In the Tariff Order dated 24 February, 2007, the Commission had provided for the recovery of the arrears along with a carrying cost of 8% over a period of seven years starting FY08. These arrears were created because of the variation between the payments made by the Board to the Petitioner and the actual payments due for payment by the Boards for the years FY04, FY05 and FY06.

5.80 The Commission had directed the Board in the Tariff Order dated 24 February 2007 to pay these arrears to the Petitioner in equal monthly installments from FY08 onwards along with the bills due for payment.

5.81 However, the Commission in its Order dated 7 February, 2008 in review petition no. 75/2007 and 94/2007 had decided that the entire arrears of prior period are to be paid to the Petitioner in FY09.

5.82 The Commission has recomputed the arrears payable by the Board and the carrying costs, based on the trued up values of the various components of the Annual Fixed Charges (AFC) and the payments made by the Board for FY07 and FY08. The Commission has considered that the Board will pay the entire arrears of prior period in FY09 in a single installment as per the Order dated 7 February, 2008 and has not included interest for FY09.

5.83 The computations of the arrears payable by the Board are detailed in the table below:

**Table 124: Arrears Payable by the Board (Rs Cr)**

Particulars	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11
Opening balance	0	76.38	125.83	160.55	151.42	48.91	0.00	0.00
Additions/(Subtractions)	73.45	41.67	23.71	(21.13)	(110.22)	0.0	0.0	0.0
Payments	0.00	0.00	0.00	0.00	0.00	48.91	0.00	0.00
Closing balance base amount	73.45	118.06	149.54	139.42	41.20	0.00	0.00	0.00
Interest rate (%)	8%	8%	8%	8%	8%	8%	8%	8%
Interest	2.94	7.78	11.01	12.00	7.70	0.00	0.00	0.00
Closing balance of payment	76.38	125.83	160.55	151.42	48.91	0.00	0.00	0.00

5.84 The Commission keeping in line with its Tariff Order date 24 February 2007, has decided to consider this arrear amount outside the tariff mechanism.

### **Annual Fixed Charge for Baspa II HEP**

5.85 The total Annual Fixed Charges with the components of the capacity charges, primary energy charges and incentives and taxes approved based on the projected generation for the Control Period and detailed in the previous sections in this chapter are summarized below:

**Table 125: Approved Annual Fixed Charges for the Control Period (Rs Cr)**

Particulars	FY09	FY10	FY11
<b>Capacity Charges</b>			
Interest on outstanding loans	71.16	45.42	51.70
Depreciation/Advance against Depreciation	89.48	89.48	89.48
Interest on normative loan related to debt restructuring expenditure	5.20	4.60	3.90
Repayment of normative loan related to debt Restructuring expenditure	8.85	8.85	8.85
Application fee	0.08	0.08	0.08
Financing charges related to HPSEB arrear payment	0.00	0.00	0.00
Less: Adjustments for ICF payments			
<b>Sub-total Capacity Charges</b>	<b>174.78</b>	<b>148.44</b>	<b>154.01</b>
<b>Primary Energy Charges</b>			
O&M Charges	24.21	25.66	27.20
RoE	73.63	73.63	73.63

## MULTI YEAR TARIFF ORDER (FY09-FY11)

Particulars	FY09	FY10	FY11
Interest on Working Capital	6.51	6.03	6.21
<b>Sub-total Primary Charges</b>	<b>104.35</b>	<b>105.32</b>	<b>107.04</b>
<b>Incentives and Taxes</b>			
Incentive for Secondary Energy	0.00	0.00	0.00
Incentive for Higher Plant Availability	0.00	0.00	0.00
Minimum Alternative Tax	10.12	10.12	10.12
<b>Sub-total Incentives and Taxes</b>	<b>10.12</b>	<b>10.12</b>	<b>10.12</b>
<b>Total Annual Fixed Charges</b>	<b>289.24</b>	<b>263.88</b>	<b>271.17</b>

5.86 The approved tariffs for the station for the Control Period are indicated in the table below:

**Table 126: Approved Tariffs for the Control Period**

Particulars	Unit	FY09	FY10	FY11
<b>Energy Generation</b>				
Saleable Primary Energy	MU	1050.05	1050.05	1050.05
Saleable Secondary Energy	MU	0.00	0.00	0.00
<b>Total Generation</b>	<b>MU</b>	<b>1050.05</b>	<b>1050.05</b>	<b>1050.05</b>
Total Annual Fixed Charges	Rs Cr	289.24	263.88	271.17
<b>Tariff for Total Energy</b>	<b>Rs/kWh</b>	<b>2.75</b>	<b>2.51</b>	<b>2.58</b>
Total Primary Energy Charges	Rs Cr	289.24	263.88	271.17
<b>Tariff for Primary Energy</b>	<b>Rs/kWh</b>	<b>2.75</b>	<b>2.51</b>	<b>2.58</b>

5.87 In the Interim Order dated 3 May, 2008, the Commission had ordered the extension of the tariff for FY08 to FY09 till such time this Order was issued. The recovery of the arrears from JHPL by the Board, on account of difference in the interim and the final tariff now finalised for FY09, with a carrying cost of 8%, shall be adjusted against the past arrears recomputed and brought out in paras 5.79 to 5.84 above or future bills raised by the JHPL in FY10. The methodology for computation of interest in this case shall be same as that mentioned in Table 124 above.