True Up Order for BASPA II HEP for the Control Period FY 2011-12 to FY 2013-14

Himachal Pradesh Electricity Regulatory Commission

Date 30.03.2015

BEFORE THE HIMACHAL PRADESH ELECTRICITY REGULATORY COMMISSION, SHIMLA

CASE NO. 171/2014

CORAM

SUBHASH CHANDER NEGI

IN THE MATTER OF:

True up of tariff for sale of power from Baspa II 300 MW HEP to Himachal Pradesh State Electricity Board Limited for Control Period FY11-12 to FY13-14.

AND

IN THE MATTER OF:

Jaiprakash Hydro Power Limited
JUIT Complex, Waknaghat
P.O. Dumehar Bani
Kandaghat-173 215, District Solan (H.P.) **APPLICANT/ PETITIONER**

The Applicant has filed a Petition with the Himachal Pradesh Electricity Regulatory Commission for true up 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 Ltd. for the Control Period FY 2011-12 to FY 2013-14.

The Commission, after considering the Petition filed by the Applicant, the facts presented in its various submissions/filings, objections/suggestions received by the Commission from the Himachal Pradesh State Electricity Board Limited, the issues raised in the hearing at Shimla, the responses of the Applicant to the objections/suggestions 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) read with HPERC (Terms & Conditions for Determination of Hydro Generation Supply Tariffs) Regulations, 2011 passes the following Order for true up of tariff for 300 MW Baspa II Hydro Power Plant for the period FY 2011-12 to FY 2013-14.

Sd/-

Shimla (Subhash Chander Negi)

Dated: 30.03.2015 Chairman

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1. BACKGROUND

1.1 M/s Jaiprakash Power Ventures Limited (hereinafter referred to as the "Petitioner" or "Applicant" or "JPVL"), JUIT Complex, Waknaghat, 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 a Petition on 25.08.2014 with the Himachal Pradesh Electricity Regulatory Commission (hereinafter referred to as the "Commission") under sections 62 and 86 of the Act, read with the Himachal Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Hydro Generation Tariff) Regulations, 2011 seeking true up 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 "Baspa II") to the Himachal Pradesh State Electricity Board Limited (hereinafter referred to as the "HPSEBL"), a "deemed licensee" under the Act, engaged in generation and distribution of electricity in the State of Himachal Pradesh for Control Period FY 2011-12 to FY 2013-14.

1.2 The Commission had approved the tariff for sale of electricity from BASPA II plant vide Order dated 15 July 2011 for second Control Period in Petition no 225/2010 of the Petitioner; and, also reviewed the tariff vide Order dated 6 September 2012.

1.3 In this Order, the Commission has reviewed the operational and financial performance of the Applicant for second Control Period based on the PPA between the JPVL and the HPSEBL, reviewed and analyzed the past records, information filed by the Applicant in the Petition and various other submissions in response to queries raised by the Commission and views expressed by the stakeholders.

Multi Year Tariff Regulations

1.4 The Commission, in view of the changes in the principles and methodologies specified by the Central Electricity Regulatory Commission had issued Himachal Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Hydro Generation Tariff) Regulations, 2011 vide notification dated 1st April 2011. Accordingly, the tariff for BASPA-II was fixed for the Control Period i.e. FY 2011-12 to FY 2013-14 in line with the provisions of these Regulations vide Order dated 15th July 2011.

1.5 The relevant provisions of the MYT Regulations 2011 state that:

*"**9. True Up***

(1) The true up across various controllable parameters shall be conducted as per principles stated below: -

(a) any surplus and deficit on account of O&M expenses shall be to the account of the generating company and shall not be trued up in ARR; and

(b) at the end of the control period –

(i) the Commission shall review actual capital investment vis-à-vis approved capital investment;

(ii) depreciation and financing cost, which includes cost of debt including working capital (interest), cost of equity (return) shall be trued up on the basis of actual/audited information and prudence check by the Commission.

(2) Notwithstanding anything contained in these regulations, the gains or losses in the controllable items of ARR on account of force majeure factors shall be passed on as an additional charge or rebate in ARR over such period as may be laid down in the order of the Commission."

1.6 This Order relates to Truing Up for the Control Period (FY12-FY14) for the Baspa II HEP.

Procedural Background

1.7 The Commission had issued an Order dated 24 February 2007, approving the capital cost of the Baspa II 300 MW Hydro Electric Project at Rs.1533.96 Cr. for the purpose of determination of tariff and had approved the tariff for the initial 5 years from FY04 to FY08. Subsequently, the Commission vide its Order dated 30 March 2009 and vide Review Orders dated 10 September 2009 and 23 June 2010 approved the tariff for the First Control Period FY09 to FY11 and trued up the tariff for the period FY04 to FY08.

1.8 The Commission by an Order dated 24 January 2011, passed in Petition No 11/2010, revised the Annual Revenue Requirement for the FY07 to FY11 on account of additional capitalisation allowed due to Force Majeure event, expenditure on Inter-Connection facility and additional O&M Expenses on Inter-Connection facility.

1.9 The Commission issued the Second MYT Order dated 15 July 2011 approving the tariff for sale of power from 300 MW Baspa II HEP to the HPSEBL for each year of the Control Period i.e. FY 2011-12 to FY 2013-14. Subsequently, the Commission also trued-up the ARR and for the first Control Period i.e. FY 2008-09 to FY 2010-11 vide its Order dated 23rd April 2012.

1.10 M/s JPVL, the Petitioner, moved a Petition bearing No. 135/11 dated 08.02.2011 before the Commission to revise the tariff for the Control Period (FY12 to FY14) in compliance to the Order dated 21.10.2011 passed by Hon'ble Appellate Tribunal for Electricity in Appeal no. 39 of 2010 and re-compute the arrears payable by the HPSEBL to the Petitioner from FY 2003-04 onwards till date of actual payment by the HPSEBL to the Petitioner. The Commission issued an Order dated 6 September 2012 on the said Petition and revised the tariff for Second MYT Control Period taking into consideration new facts brought on record by the petitioner, which were unavailable at the time of issuance of MYT Order dated 15 July 2011.

Admission Hearing

1.11 The Petitioner has now filed a True-up Petition on 25.08.2014 with the Commission for true up of tariff for the Control Period i.e. FY 2011-12 to FY 2013-14. The Commission, on carrying out a preliminary scrutiny of the Petition conveyed deficiencies vide Letter. No. 1809-10 dated 22.09.2014 and directed the Petitioner to file the additional information and clarifications to make the Petition as complete which was responded to by the Petitioner.

1.12 The Commission admitted the true up petition through its Interim Order dated 27.09.2014 and directed the Petitioner to publish the salient features of the Petition on or before 15.10.2014 in a manner and as per the disclosure formats attached with the Interim order. The petition was registered as Petition number 171 of 2014.

1.13 During the period, M/s JPVL made several submissions through various filings in order to address the data/information gaps, in the Commission. The details of the additional submissions are provided in table below:

M.A. No.	**Date of Filing**
190 of 2014	20.10.2014
191 of 2014	21.10.2014
195 of 2014	01.11.2014
224 of 2014	06.12.2014
7 of 2015	21.01.2015
28(A) of 2015	05.03.2015

1.14 At the request of M/s JPVL, the Commission directed the Petitioner to publish the salient features of the Petition on or before 29.10.2014 in a manner and as per the disclosure formats attached with the Interim order.

Public Hearing

1.15 The Petitioner, in compliance to the Interim Order dated 20.10.2014, published the salient features of the Petition in the following newspapers:

a) The Tribune (English) on 25.10.2014

b) Divya Himachal (Hindi) on 25.10.2014

c) The Tribune (English) on 28.10.2014

d) Divya Himachal (Hindi) on 28.10.2014

1.16 The Commission also invited suggestions and objections from the public on the Petition filed by the Petitioner in accordance with Section 64(3) of the Act, subsequent to the publication of salient features by the Petitioner. The public notice, issued by the Commission, inviting objections/ suggestions was published in the following newspapers:

a) Amar Ujala (Chandigarh & Dharmashala Edition) on 30.10.2014

b)The Tribune (Chandigarh, Jalandhar & Bhatinda Edition) on 30.10.2014

1.17 Through the aforementioned publications, the interested parties/ stakeholders were asked to file their objections and suggestions on the Petitions and rejoinders to the Replies filed by the Petitioner for which dates were specified by the Commission through the publications. The Commission received objections/ suggestions from the major stakeholder, HPSEBL. The Petitioner responded to the objections of the HPSEBL dated 20.11.2014 which was registered as M.A. no 212/2014.

1.18 A public hearing was held at Commission's court room at Shimla on 20.12.2014 for providing adequate opportunity to all the stakeholders for expression of their opinions, suggestions and objections in the matter.

1.19 The objections, issues and concerns raised by the stakeholders, consumer representatives and HPSEBL, the responses along with the submissions of the Petitioner and the views of the Commission are detailed in Chapter 2 of this Order.

2. OBJECTIONS FILED BY STAKEHOLDERS

2.1 HPSEBL, which is 100% beneficiary of the power generated from BASPA II HEP, has submitted its objections vide M.A. no. 212 of 2014 dated 20.11.2014 to the Petition filed by the Petitioner which are contained in this section of the Order. The response of the Petitioner and Commission's views on the issues are also detailed in the subsequent paragraphs.

Provision of Income tax

Stakeholder's Objections

2.2 HPSEBL has objected to the difference in income tax claimed for FY12 to FY14 by the Petitioner in the true-up petition for the Control Period. Further, HPSEBL has objected that the various documents i.e. Balance Sheet, Form 29B are consolidated for the group and therefore the claim with respect to BASPA Project cannot be authenticated. It has requested the Commission to adjust the actual income tax paid by the firm in the True-up Petition after due reconciliation with its documents pertaining to Baspa project and adjust any credit, if accrued, for previous years in the true-up of the Control Period as stipulated in the MYT Order for the third Control Period.

Petitioner's Reply

2.3 The Petitioner has submitted that the amount of income tax claimed in the true-up petition is actual amount of tax paid by the Applicant in respect of Baspa II HEP as per the terms of PPA and the same has been claimed from HPSEBL along with necessary documents. The Petitioner has also submitted the details of Challans and amount of tax paid along with the documentary proof.

Commission's View:

2.4 The Commission has undertaken adequate due diligence of the various documents submitted by the Petitioner and has approved the tax as per the terms of the PPA and the judgement dated 21.10.2011 by the Hon'ble ATE in Appeal no. 39/10 in this regard. The treatment of the tax amount considered for the purpose of computing the true-up ARR is detailed in Chapter 3.

O&M Expenses

Stakeholder's Objections

2.5 HPSEBL has objected to the additional O&M expenses claimed by the Petitioner for Control Period as against the approved O&M amount in the MYT Order. HPSEBL has requested for disallowance of O&M on the additional capital cost of Rs. 2.57 Crore approved by the Commission in the MYT Order for Third Control Period dated 6 June 2014. HPSEBL has submitted that it has already filed a Review Petition with the Commission against the Order dated 6 June 2014 which is still pending and therefore the Order of 6 June 2014 has not attained finality. The HPSEBL has requested the Commission to not consider the claim of additional O&M expenses on incremental capital cost of Rs. 2.57 Crore approved as per the MYT Order dated 6 June 2014.

Petitioner's Reply

2.6 The petitioner has submitted that the objection of HPSEBL with respect to O&M expenses on the additional capital cost of Rs. 2.57 Crore is not maintainable in the current application as similar objections was raised during the MYT Petition for the third control period and the Commission had decided on the same vide Order dated 6 June 2014 which is to be treated as final.

Commission's View:

2.7 The Commission has disposed off the Review Petition filed by the HPSEBL vide its Review Order dated 24.12.2014 and the methodology for computation of O&M for true-up of second Control Period is detailed in Chapter 3.

Interest on Working Capital

Stakeholder's Objections

2.8 HPSEBL has objected to the higher interest on working capital for the Control Period in the true-up petition. HPSEBL has mentioned that the higher interest on working capital is due to additional capital cost approved by the Commission in the Order dated 6 June 2014 and should not be allowed as the Review Petition on the Order for third Control Period is pending before the Commission.

Petitioner's Reply

2.9 The petitioner has submitted that the interest on working capital has been claimed as per the provisions of the PPA and the higher amount is primarily due to inclusion of incentives based on actual generation which were not considered in the provisional tariff. Also, the Petitioner has submitted that the objection of HPSEBL with respect to exclusion of the additional capital cost of Rs. 2.57 Crore in the working capital is not maintainable in the current application as similar objections was raised during the MYT petition and the Commission had decided on the same in the Order dated 6 June 2014 which is to be treated as final.

Commission's View:

2.10 The Commission has recomputed the interest on working capital based on the provisions of the PPA as detailed in Chapter 3.

Return on Equity

Stakeholder's Objections

2.11 HPSEBL has objected to the RoE claimed by the Petitioner on the additional capital cost of Rs. 2.57 Crore allowed in the MYT Order for the third Control Period. It has submitted that pending the Order on review petition filed by HPSEBL, the return on equity on account of the equity component on the Rs. 2.57 Crore should not be allowed to the petitioner.

Petitioner's Reply

2.12 The Petitioner has submitted that it has claimed the RoE as per the project cost approved by the Commission. Also, the Petitioner has submitted that the objection of HPSEBL for exclusion of the additional capital cost of Rs. 2.57 Crore in the RoE is not maintainable in the current application as similar objection was raised during the third MYT Petition and the Commission had decided on the same in the Order dated 6th June 2014 which is to be treated as final.

Commission's View:

2.13 The Commission has computed the RoE as per provisions of the PPA detailed in Chapter 3.

Incentive for Higher Plant Availability and Secondary Energy

Stakeholder's Objections

2.14 HPSEBL, in its submission, has agreed to the plant availability and secondary energy claimed in the true-up petition by the petitioner. However, HSPEBL has objected to the incentive amount claimed by the Petitioner on the additional capital cost of Rs. 2.57 Crore allowed in the MYT Order for the third Control Period. It has submitted that pending the Order on Review Petition filed by HPSEBL, the incentive on account of the equity component on the Rs. 2.57 Crore should not be allowed to the Petitioner.

Petitioner's Reply

2.15 The Petitioner has submitted that it has claimed the incentive as per the project cost approved by the Commission. Also, the petitioner has submitted that the objection of HPSEBL with respect to exclusion of the additional capital cost of Rs. 2.57 Crore in the RoE are not maintainable in the current application as similar objections was raised during the MYT petition and the Commission had decided on the same in the Order dated 6 June 2014 which is to be treated as final.

Commission's View:

2.16 The Commission has computed the incentive on secondary energy and higher plant availability as per the provisions of the PPA detailed in Chapter 3.

Balance Sheet and Profit & Loss Accounts for the Year 2011-12 & 2012-13

Stakeholder's Objections

2.17 HPSEBL has objected to the differences in the figures submitted by the petitioner in the true-up petition and the corresponding figures in the profit & loss accounts submitted by the petitioner for the respective years. Further, it has requested the Commission to direct the petitioner for providing reconciliation statements for matching the figures in the truing-up petition with the P&L statement.

Petitioner's Reply

2.18 The petitioner has submitted that the reconciliation of the various amounts claimed in the petition have been reconciled with the P&L account and has been submitted as per its submission dated 15 October 2014.

Commission's View:

2.19 The Commission has undertaken appropriate due diligence of the accounts and the reconciliation submitted by the petitioner as detailed in Chapter 3.

Reconciliation Statement

Stakeholder's Objections

2.20 HPSEBL has submitted that the petitioner has not reconciled the statement given by HPSEBL without which the revenue from sale of power in the profit & loss statement of the petitioner for the period FY12 to FY14 could not be authenticated. Further, HPSEBL has requested that the computation of incentive for higher plant availability and secondary energy should be treated as provisional till the reconciliation of data is done by the JPVL as it shall have an effect on the tariff proposed as part of true-up. HPSEBL has also submitted that it is required to recover Rs. 7.39 Crore for FY13 and Rs. 6.04 Crore for FY14 against excess amount paid to the JPVL and has requested the Commission to consider this aspect of accountability of annual adjustment towards secondary energy before issuance of Order.

Petitioner's Reply

2.21 The Petitioner has submitted that the plant availability and secondary energy claimed in the petition is based on the joint statement signed by both the parties and the same is enclosed as part of the petition as well as additional submission dated 15 October 2014. Further, the petitioner has submitted that the reconciliation of payment on account of secondary energy has already been submitted vide letter dated 22 October 2014 to the HPSEBL. The petitioner has also submitted the reconciliation of payment made by the HPSEBL for FY 2012-13 but has not commented on the variation for FY12 and FY14.

Commission's View:

2.22 The Commission has undertaken due diligence of the submissions made by the petitioner as detailed in Chapter 3 while truing up for the Control Period.

Interest on Arrears

Stakeholder's Objections

2.23 HPSEBL has submitted that the amount of arrears due on which interest is due is Rs. 26.36 Crore as against the claim of Rs. 26.81 Crore by the petitioner and has requested the Commission to advise the JPVL to reconcile the accounts for settling the variations.

Petitioner's Reply

2.24 The petitioner has submitted that HPSEBL had agreed on the methodology of calculation of interest on arrears but have not submitted its calculation in this regard. It has also submitted that interest on arrears shall be calculated as per the tariff approved by the Commission as per the terms of PPA.

Commission's View:

2.25 The computation of the interest on arrears is detailed in Chapter 3.

3. ANALYSIS OF THE TRUE-UP PETITION

Introduction

3.1 This Chapter deals with the analysis of the True-up Petition filed by the Petitioner for the Control Period from FY12 to FY14 for determination of tariff for sale of energy from BASPA II HEP to HPSEBL.

3.2 The Commission has finalized this Order based on the analysis and prudence check of the Petition/additional submissions/clarifications submitted by the Petitioner in response to the queries submitted by the Petitioner, objections/suggestions and comments of the stakeholders during the public hearing and response submitted by the Petitioner thereon and after giving due consideration to the Power Purchase Agreement signed between Petitioner and HPSEBL. The following sections contain the detailed analysis of various components of tariff, based on the various submissions of the Petitioner.

Computation of Tariff

3.3 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

3.4 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; and

(c) Leasing Charges.

Primary Energy Charge

3.5 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; and

(d) Other miscellaneous charges as defined under Section 8.7.5 of the PPA.

Incentive for Secondary Energy

3.6 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 Order.

Incentive for Higher Plant Availability

3.7 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 Order.

Tax on Income

3.8 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 Order.

Energy Generation from the plant

3.9 Schedule IX-A of the PPA provides the details of design energy of the plant which is at 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

3.10 The net saleable energy has been considered by the Commission in accordance with the PPA as shown below:

Table 1: Net Saleable Energy from BASPA II HEP

Particular	Unit	
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%
Net Saleable Energy	**MU**	**1050.06**

Actual Energy Generation and Plant Availability FY 2011-12 to FY 2013-14

3.11 The Commission has considered the actual generation of energy and plant availability for each year of the Control Period which is detailed in the table below:

Table 2: Actual Energy Generation and Plant Availability for FY 12 to FY 14

Particulars	FY 12	FY 13	FY 14
	Actual	Actual	Actual
Generation of Energy (MUs)			
Primary Energy	1050.06	1050.06	1050.06
Secondary Energy	155.00	29.29	120.95
Total Energy Excluding free Energy	**1205.06**	**1079.35**	**1171.01**
Plant Availability (%)			
Normative	90%	90%	90%
Actual	99.97%	99.87%	99.98%

Additional Capital Cost

3.12 In the MYT Petition for the Control Period FY15-FY19, the Petitioner had claimed an additional capital cost towards ICF paid to SJVNL against the 6^{th} provisional bill. The Petitioner had submitted a claim of Rs. 3,32,61,104/- paid to the SJVNL and to be allowed as additional capital cost of Baspa-II HEP for determination of Tariff for Control Period FY15-FY19.

3.13 The Commission vide its Tariff Order dated 06.06.2014 approved an additional capital cost of Rs. 2.57 Crore against the ICF facility paid to M/s SJVNL by the petitioner. While approving the additional capital cost the Commission had considered the original bill raised by SJVNL against share of cost component of pot head yard at Jhakri which was for an amount of Rs 2.57 Crores including Rs. 1.94 crores share of cost component, Rs 37 lakhs as interest during construction and Rs 24 lakhs towards overhead charges. Therefore, the Commission had approved an amount of Rs. 2.57 Crores towards ICF work as additional capital cost which was considered towards additional project cost during FY 2010-11. The effect of the additional capitalization of Rs 2.57 Crores on various parameters for the FY11 was approved as a one-time amount by the Commission in the first year ARR for FY15.

3.14 The revised capital cost for the purpose of truing-up for the Control Period FY12 to FY14 is summarized in table below along with means of the finance.

Table 3: Capital Cost and Means of Finance for BASPA HEP considered by the Commission

(Rs. Cr.)

Particulars	FY 11	FY 12	FY 13	FY 14
Capital Cost				
Opening project cost	1629.84	1632.41	1632.41	1632.41
Additional Capitalization	2.57			
Closing Project Cost	1632.41	1632.41	1632.41	1632.41
Means of Finance: Loan				
Opening Gross Loan	1140.89	1142.69	1142.69	1142.69
Addition	1.80			
Closing Gross Loan	1142.69	1142.69	1142.69	1142.69
Equity				
Opening Equity	488.95	489.72	489.72	489.72
Addition	0.77			
Closing Equity	489.72	489.72	489.72	489.72

Interest on Loans

3.15 The Commission has considered the outstanding loan balances and the applicable interest rates for FY12 to FY14 as per the prudence check undertaken by the Commission. For the foreign loans, applicable LIBOR rates and margins along with the prevailing foreign exchange rates on the date of interest payment has been considered. The methodology considered for approving the interest for each loan is detailed below.

Domestic Loans

3.16 At the time of tariff proceedings for the Control Period FY12 to FY14, the Petitioner was directed to submit the details of actual loan balances and applicable interest rates on the existing loans. In response, the Petitioner had communicated that the as per the loan restructuring undertaken, the balances of actual domestic loans were not relevant for the calculation of tariff as the amount of loan, repayment terms and rate of interest have undergone a change with respect to the loans approved by the Commission.

3.17 Accordingly, the Commission had viewed the following with respect to the interest on loans in the MYT Order for FY12 to FY14:

"4.22 The Commission observes that the Petitioner has neither informed nor taken prior approval of the Commission and HPSEBL. The Commission also asked the Petitioner to submit cost benefit analysis of the loan restructuring undertaken by prepaying the loans on 1 April 2010 and 1 June 2010 of Rs 401.20 Cr and availing fresh loan of Rs 845 Cr at 11.50% interest rate.

4.23 As there is no cost benefit analysis submitted by the Petitioner, the Commission tried to analyse the impact of the loan restructuring undertaken by the Petitioner. The Commission observes that at the time of loan restructuring, 7 out of 10 existing loans (amounting Rs 323.87 Cr out total loan of Rs 401.20 Cr), carried an interest rate lower than the new loan availed at 11.50%.

4.24 The Commission also observed that the Petitioner tried to mislead the Commission by submitting incorrect applicable interest rate for FY12. For few of these loans applicable interest rate is fixed, with no reset whereas for certain other loans, interest rate reset is applicable only after a time period from the date of last reset (three years or seven years). However, the Petitioner while submitting the information has not considered fixed interest rate loan and date of last reset of the interest rate.

4.25 In absence of the above, the Commission is constrained to not consider any loan restructuring and has continued with the existing loans. For projection of interest rate for each year of the Control Period, the Commission has considered interest rate as applicable on the date of repayment of the loan (from the letters received from the banks and submitted by the Petitioner) as it will not be possible for the Commission to project any other interest rate as these loans do not exist any further in the Petitioner's accounts.

4.26 The Commission also directs the Petitioner to do proper cost benefit analysis before any restructuring of the loan and submit the same to the Commission and the HPSEBL."

3.18 However, it is observed that the Petitioner has continued with the loans considered by the Commission in the MYT Order for FY12 to FY14 and has not provided the details of the restructured loans or any cost-benefit analysis as directed in the MYT Order.

3.19 Therefore, in absence of any additional information, the Commission is constrained to continue with the approach adopted in the MYT Order for FY12 to FY14 for the truing-up purpose. The Commission has computed the interest expense as per the approved loan balances regardless of actual loans of the Petitioner.

3.20 The repayments and interest charges on the domestic loans considered by the Commission for truing-up for FY12 to FY14 are depicted in the following paragraphs.

IDBI Loan

3.21 An interest rate of 10.50% and repayment of Rs. 7.72 Crore each year has been considered for the truing up of IDBI loan for the Control Period FY12 to FY14 in line with the MYT Order. The repayment and interest charges for IDBI loan considered for truing-up of the Control Period FY12 to FY14 are tabulated below:

Table 4: IDBI loan repayment and Interest trued up for the Control Period FY12 to FY14 (Rs. Cr.)

Particulars	FY 12	FY 13	FY 14
Opening balance	38.62	30.89	23.17
Addition	0.00	0.00	0.00
Principal Repayment	7.72	7.72	7.72
Closing Balance	30.89	23.17	15.45
Interest Rate	10.50%	10.50%	10.50%
Approved Interest	3.55	2.74	1.93

Power Finance Corporation Loan

3.22 The Commission has considered an interest rate of 13.15% as applicable on PFC loans similar to the interest rate approved in the MYT Order FY12 to FY14 and also submitted by the Petitioner. Repayment of Rs. 17 Crore has been considered for each year during the Control Period FY12 to FY14. The approved repayment and interest charges is provided in table below:

Table 5: PFC Loan repayment and Interest trued up for the Control Period FY12 to FY14 (Rs. Cr.)

Particulars	FY 12	FY 13	FY 14
Opening balance	63.75	46.75	29.75
Addition	-	-	-
Principal Repayment	17.00	17.00	17.00
Closing Balance	46.75	29.75	12.75
Interest Rate	13.15%	13.15%	13.15%
Approved Interest	7.07	4.84	2.60

IFCI Debentures/ UTI Bank Loan/ Axis Bank Loan

3.23 The Commission has considered the repayment of Rs. 17.03 Crore per annum and interest rate of 10% on IFCI debenture as considered in the MYT Order for FY12 to FY14. The repayment and interest rate approved for IFCI debentures is as given in the table below:-

Table 6: IFCI Loan Repayment and Interest trued up for the Control Period FY12 to FY14 (Rs. Cr.)

Particulars	FY 12	FY 13	FY 14

Particulars	FY 12	FY 13	FY 14
Opening balance	85.14	68.11	51.08
Addition	-	-	-
Principal Repayment	17.03	17.03	17.03
Closing Balance	68.11	51.08	34.06
Interest Rate	10%	10%	10%
Approved Interest	7.51	5.81	4.11

IIBI Loan

3.24 The Commission has approved 10.50% rate of interest on loan from IIBI, as also considered in the MYT Order for FY12 to FY14. The approved repayment and interest for IIBI loan is provided in the table below:

Table 7: IIBI Loan Repayment and Interest trued up for the Control Period FY12 to FY14 (Rs. Cr.)

Particulars	FY 12	FY 13	FY 14
Opening balance	6.83	5.69	4.55
Addition	-	-	-
Principal Repayment	1.14	1.14	1.14
Closing Balance	5.69	4.55	3.41
Interest Rate	10.50%	10.50%	10.50%
Approved Interest	0.64	0.52	0.40

ICICI Loan

3.25 The Petitioner had submitted prepayment of ICICI loan in FY11 at the time of processing of MYT Order for FY12 to FY14; however, in the absence of cost-benefit analysis with regards to loan restructuring, the Commission had decided to continue with the prevailing balances of repayment and interest rates. Similar methodology has been adopted for truing-up the repayment and interest charges against the ICICI loan as detailed in table below:

Table 8: ICICI Loan Repayment and Interest trued up for the Control Period FY12 to FY14 (Rs. Cr.)

Particulars	FY 12	FY 13	FY 14
Opening balance	7.62	-	-
Addition	0.00	-	-
Principal Repayment	7.62	-	-
Closing Balance	0.00	-	-
Interest Rate	13.15%	-	-
Approved Interest	0.35	-	-

LIC Loan

3.26 The Commission had approved 10.50% rate of interest on loan from LIC during the MYT Order for FY12 to FY14. The truing-up has been considered in line with the repayment and interest rates considered in the MYT Order for FY12 to FY14, which is also similar to the claim of the Petitioner. The trued-up repayment and interest charges for LIC loan for FY12-FY14 is given in the table below:

Table 9: LIC Loan Repayment and Interest Trued Up for the Control Period FY12 to FY14 (Rs. Cr.)

Particulars	FY 12	FY 13	FY 14
Opening balance	7.50	6.25	5.00
Addition	-	-	-
Principal Repayment	1.25	1.25	1.25
Closing Balance	6.25	5.00	3.75
Interest Rate	10.50%	10.50%	10.50%
Approved Interest	0.71	0.58	0.45

Bank of Baroda Loan

3.27 The Commission has considered similar interest rate and repayment as approved in the MYT Order for FY12 to FY14. The trued-up repayment and interest charges against loan from Bank of Baroda for FY12-FY14 is given in the table below:

Table 10: Bank of Baroda Loan Repayment and Interest Trued Up for the Control Period FY12 to FY14 (Rs. Cr.)

Particulars	FY 12	FY 13	FY 14
Opening balance	25.00	20.83	16.67
Addition	-	-	-
Principal Repayment	4.17	4.17	4.17
Closing Balance	20.83	16.67	12.50
Interest Rate	11.75%	11.75%	11.75%
Approved Interest	2.65	2.16	1.67

Punjab National Bank Loan

3.28 The Commission has trued-up the repayment and interest charges for FY12 to FY14 based on the MYT Order for FY12-FY14, which is also similar to the claim of the Petitioner. The trued-up repayment and interest charges for Punjab National Bank loan for FY12-FY14 is given in the table below:

Table 11: PNB Loan Repayment and Interest Trued Up for the Control Period FY12 to FY14 (Rs. Cr.)

Particulars	FY 12	FY 13	FY 14
Opening balance	22.46	17.97	13.48
Addition	-	-	-
Principal Repayment	4.49	4.49	4.49
Closing Balance	17.97	13.48	8.98
Interest Rate	10.50%	10.50%	10.50%
Approved Interest	2.08	1.61	1.14

Indian Overseas Bank Loan

3.29 The approved interest rate of 10.50% in the MYT Order for FY12-FY14 has been considered for truing-up the interest charges on loan from Indian Overseas bank. The trued-up repayment and interest charges for Indian Overseas Bank loan for FY12-FY14 is given in the table below:

Table 12: IoB Loan Repayment and Interest Trued Up for the Control Period FY12 to FY14 (Rs. Cr.)

Particulars	FY 12	FY 13	FY 14
Opening balance	22.73	18.18	13.64
Addition	-	-	-
Principal Repayment	4.55	4.55	4.55
Closing Balance	18.18	13.64	9.09
Interest Rate	10.50%	10.50%	10.50%
Approved Interest	2.11	1.63	1.15

State Bank of Indore Loan

3.30 Interest rate of 10.50% as approved in the MYT Order for FY12-14 against the loan from State Bank of Indore has been considered for truing-up. The trued-up repayment and interest charges for FY12-FY14 against the State Bank of Indore loan is given in the table below:

Table 13: SBoI Loan Repayment and Interest Trued Up for the Control Period FY12 to FY14 (Rs. Cr.)

Particulars	FY 12	FY 13	FY 14
Opening balance	9.55	7.64	5.73
Addition	-	-	-
Principal Repayment	1.91	1.91	1.91
Closing Balance	7.64	5.73	3.82
Interest Rate	10.50%	10.50%	10.50%
Approved Interest	0.88	0.68	0.48

State Bank of Hyderabad Loan

4.1 The Commission has considered an interest rate of 11.75% applicable on State bank of Hyderabad loans similar to the interest rate approved in the MYT Order FY12 to FY14 and also submitted by the Petitioner. Repayment of Rs. 2.00 Crore has been considered for each year during the Control Period FY12 to FY14. The approved repayment and interest charges is provided in table below:

Table 14: SBoH Loan Repayment and Interest Trued Up for Control Period FY12 to FY14 (Rs. Cr.)

Particulars	FY 12	FY 13	FY 14
Opening balance	10.01	8.01	6.01
Addition	0	0	0
Principal Repayment	2.00	2.00	2.00
Closing Balance	8.01	6.01	4.00
Interest Rate	11.75%	11.75%	11.75%
Approved Interest	1.04	0.80	0.57

IDBI Loan (New)

4.2 In the True-up Order for FY09 to FY11, the Commission had approved fresh loan of Rs 100 Crores from IDBI bank in lieu of retired loans of CBI (Rs 36.36 Crs) , SBoM (Rs 9.54 Crs) and ICICI bank (Rs 50 Crs and Rs 4.10 Crs). The Commission had approved 32 quarterly repayment spread over a period of 8 years.

4.3 It is observed that the petitioner has not submitted any change in interest on domestic loans approved by the Commission in the MYT Order for FY12-FY14. Therefore, the interest charge claimed by the petitioner for IDBI new loan is same as that approved in the MYT Order. In response to the Commission's queries, the petitioner has submitted actual interest rate which are higher than the approved interest rate of 11.50% for FY13 and FY14. However, the petitioner has neither submitted any supporting documents against this loan nor has revised its claim towards interest payment for this loan. Therefore, the Commission has continued with the annual repayment of Rs. 12.50 Crs. and interest rate of 11.50% as approved in MYT Order for FY12 to FY14 approved for IDBI loan and trued-up the interest and repayment as given in the table below:

Table 15: IDBI (New) Loan Repayment and Interest Trued Up for Control Period FY12-FY14 (Rs. Cr)

Particulars	FY 12	FY 13	FY 14
Opening balance	62.50	50.00	37.50
Addition	-	-	-
Principal Repayment	12.50	12.50	12.50
Closing Balance	50.00	37.50	25.00
Interest Rate	11.50%	11.50%	11.50%
Approved Interest	6.34	4.91	3.47

IFCI Loan (New)

4.1 In the True-up Order for FY09 to FY11, the Commission had also approved fresh loan of Rs 47.82 Crores from IFCI in lieu of retired loans of SBoT (Rs 18.18 Crs) , SBoP (Rs 16.36 Crs) and ICICI bank (Rs 13.28 Crs). The Commission had approved 32 quarterly repayment spread over a period of 8 years against this loan.

4.2 It is observed that the petitioner has not submitted any change in interest on domestic loans approved by the Commission in the MYT Order for FY12-FY14. Therefore, the interest charge claimed by the petitioner for IFCI new loan is same as that approved in the MYT Order. In response to the Commission's queries, the petitioner has submitted actual interest rate which are higher than the approved interest rate of 11.50% for FY13 and FY14. However, the petitioner has neither submitted any supporting documents against this loan nor has revised its claim towards interest payment for this loan. Therefore, the Commission has continued with the annual repayment of Rs. 5.98 Crore and interest rate of 11.50% as approved in MYT Order for FY12 to FY14 approved for IDBI loan and trued-up the interest and repayment as given in the table below:

Table 16: IFCI (New) Loan Repayment and Interest Trued Up for Control Period FY12-FY14 (Rs. Cr)

Particulars	FY 12	FY 13	FY 14
Opening balance	29.89	23.91	17.93
Addition	-	-	-
Principal Repayment	5.98	5.98	5.98
Closing Balance	23.91	17.93	11.96
Interest Rate	11.50%	11.50%	11.50%
Approved Interest	3.03	2.35	1.66

Normative Loan-1

4.3 The Commission had approved a normative loan of Rs. 41.37 Crore in the True-up Order for FY09 to FY11 dated 23 April 2012 for meeting the remaining debt requirement for additional capitalization. A tenure of 11 years with 4 quarterly repayments was considered against the normative loan. For approving the interest rate that shall be applicable for the normative loan, the Commission had considered the annual weighted average rate of interest on approved rupee term loan for the respective year.

4.4 The Commission has continued with the terms and conditions approved in the previous True-up Order for approving the repayment and interest charge on the Normative loan-1 which is also provided in the table below:

Table 17: Normative Loan-1 Repayment and Interest Trued Up for Control Period FY12-FY14 (Rs. Cr)

Particulars	FY 12	FY 13	FY 14
Opening balance	26.32	22.56	18.80
Addition	-	-	-
Principal Repayment	3.76	3.76	3.76
Closing Balance	22.56	18.80	15.04
Interest Rate	10.91%	10.81%	10.61%
Approved Interest	2.63	2.20	1.76

Normative Loan-2

4.5 The Commission had also approved an additional capitalization for BASPA HEP towards the payment of 6th provisional bill raised by SJVNL towards inter connection facility in the MYT Order for the Control Period FY15 to FY19 dated 06.06.2014. The capital cost has been considered to be funded from normative debt-equity ratio of 70:30 against the approved amount of Rs. 2.57 Crores. Accordingly, the Commission had approved an additional normative loan of Rs. 1.80 Crores (corresponding to 70% of the approved additional capitalization) in the FY11.

4.6 The terms and conditions with respect to the new normative loan (referred as normative loan-2) has been considered similar to normative loan-1. A tenure of 11 years with 4 quarterly repayments has been considered while the annual weighted average rate of interest on approved rupee term loan for the respective year has been considered towards the interest rate. The trued-up interest and repayment on the normative loan -2 for the Control Period FY12 to FY14 is given in the table below.

Table 18: Normative Loan-2 Repayment and Interest Trued Up for the Control Period (Rs. Cr.)

Particulars	FY 12	FY 13	FY 14
Opening balance	1.76	1.58	1.40
Addition	-	-	-
Principal Repayment	0.18	0.18	0.18
Closing Balance	1.58	1.40	1.22
Interest Rate	10.91%	10.81%	10.61%
Approved Interest	0.18	0.15	0.13

Foreign Currency Loans

4.7 Unlike the domestic loans where the Petitioner has submitted the details of repayment and interest charge as approved in the MYT Order for FY12 to FY14, the Petitioner has submitted the details of actual loan repayment and interest rate for claiming the interest on foreign currency loans for the truing-up for FY12 to FY14. The Commission has considered the applicable interest rates and foreign exchange rates at the time of payment for the purpose of approving the interest on foreign currency loans. The details with respect to each foreign currency loan is detailed below:

Crédit Agricole (Crédit Lyonnais)

4.8 In the MYT Order for FY12 to FY14, the Commission had approved a loan amount of US $17.91 Million from Credit Lyonnais with a fixed interest rate of 5.66% for its entire tenure. The tenure of the loan was considered as 12 years with semi-annual repayments. The payment against the loan has been guaranteed by PFC and a Payment Guarantee Commission (PGC) is levied on the Petitioner by PFC. Accordingly, an interest rate of 7.42% for the Control Period FY12 to FY14 was approved consisting of 5.66% fixed interest rate charged by Credit Lyonnais Bank, 1.60% PGC on PFC Guarantee and the applicable service tax (12.36%) on PGC.

4.9 The Commission has trued up the interest payments as per the applicable interest rates, charges related to the PGC and the semi-annual repayment in dollar terms which remains similar to that approved in the MYT Order dated FY12 to FY14.

4.10 The interest payments and the repayments have been calculated in US Dollar (USD/ US$) terms and then converted to equivalent rupee terms by applying the foreign exchange conversion rate as submitted by the Petitioner as given in the table below:

Table 19: Exchange Rate Rs/USD

Particulars	FY 12	FY 13	FY 14
H1	44.475	52.853	54.310
H2	49.993	53.850	61.640

4.11 The Commission has trued-up the interest charges for the Control Period FY12 to FY14 as per the table below:

Table 20: Crédit Agricole Repayment and Interest Trued Up for the Control Period

Loan	FY12	FY13	FY14
Opening Balance (US $ Mn)	6.69	5.21	3.72
Addition (US $ Mn)	-	-	-
Principal Repayment (US $ Mn)	1.49	1.49	1.49
Closing Balance (US $ Mn)	5.21	3.72	2.23
Interest Payment (US$ Mn)	0.47	0.36	0.25
Equivalent Rupee			
Opening Balance (Rs. Cr.)	29.77	27.52	20.20
Addition (Rs. Cr.)	-	-	-
Principal Repayment (Rs. Cr.)	7.03	7.94	8.62
Closing Balance (Rs. Cr.)	26.03	20.03	13.76
Interest Payment (Rs. Cr.)	2.22	1.92	1.44

HypoVereinsbank (Unicredit Bank)

4.12 The Commission had approved an amount of US $11.31 Mn as loan from Hypovereinsbank with a floating interest rate pegged to LIBOR valid from time to time for periods of 6 month. As per the sanction letter, the tenure of the loan was for 12 years with semi-annual repayments. The payment against the loan has been guaranteed by PFC and a PGC is levied on the Petitioner. The Commission has computed interest on outstanding loan at 6 month LIBOR plus margin rate charged by Hypovereinsbank (as provided in table below), 1.60% PGC on PFC Guarantee and applicable service tax on PGC.

4.13 For the purpose of truing-up of interest from Hypovereinsbank, the interest payments and repayments have been calculated in US dollar terms and then converted to equivalent rupee terms by applying the foreign exchange conversion rates as submitted by the Petitioner as given in the table below:

Table 21: Exchange Rate and Libor for the Control Period

Particulars	FY 12	FY 13	FY 14
Exchange Rate (Rs/USD)			
H1	44.460	55.953	59.600
H2	50.323	53.603	62.330
LIBOR Rate (%)			
H1	0.4547	0.7928	0.4805
H2	0.4235	0.7274	0.3965

4.14 Based on the above, the Commission approves the principal repayment and interest charges for the period FY12 to FY14 as shown in the following Table below:

Table 22: Hypovereinsbank Repayment and Interest Trued Up for the Control Period

Loan	FY12	FY13	FY14
Opening Balance (US $ Mn)	3.77	2.83	1.88
Addition (US $ Mn)	-	-	-
Principal Repayment (US $ Mn)	0.94	0.94	0.94
Closing Balance (US $ Mn)	2.83	1.88	0.94
Interest Payment (US$ Mn)	0.09	0.07	0.04
Equivalent Rupee			
Opening Balance (Rs. Cr.)	16.76	15.82	11.23
Addition (Rs. Cr.)	0.00	0.00	0.00
Principal Repayment (Rs. Cr.)	4.47	5.16	5.75
Closing Balance (Rs. Cr.)	14.23	10.10	5.87
Interest Payment (Rs. Cr.)	0.42	0.41	0.25

Siemens financials (Loan taken over from VA Tech Finance)

4.15 The Commission had approved loan amount from VA tech finance of US $11.48 Mn with a floating interest rate pegged to LIBOR valid from time to time for periods of 6 month. The tenure of the loan has been considered as 12 years with semi-annual repayments as per the sanction letter. The payment against the loan has been guaranteed by PFC and a PGC is levied on the Petitioner. The Commission has computed interest on outstanding loan at 6 month LIBOR (provided in table below) plus margin rate charged by VA Tech Finance, 1.60% PGC on PFC Guarantee and applicable service tax on PGC.

4.16 The Commission has trued up the interest payments as per the applicable interest rates, charges related to the PGC and the semi-annual repayment. The interest payments and the repayments have been calculated in US Dollar (USD) terms and then converted to equivalent rupee terms by applying the foreign exchange conversion rate as submitted by the Petitioner as given in the table below.

Table 23: Exchange Rate and Libor for the Control Period considered for VA tech finance

Particulars	FY 12	FY 13	FY 14
Exchange Rate (Rs/USD)			
H1	44.460	55.953	59.600
H2	50.323	53.603	62.330
LIBOR Rate (%)			
H1	0.4547	0.7928	0.4805
H2	0.4235	0.7274	0.3965

4.17 Based on the above, the Commission approves the principal repayment and interest charges for the period FY12 to FY14 as shown in the following Table below:

Table 24: VA tech Finance Repayment and Interest Trued Up for the Control Period

Loan	FY12	FY13	FY14
Opening Balance (US $ Mn)	3.83	2.87	1.91
Addition (US $ Mn)	-	-	-

Principal Repayment (US $ Mn)	0.96	0.96	0.96
Closing Balance (US $ Mn)	2.87	1.91	0.96
Interest Payment (US$ Mn)	0.10	0.08	0.05
Equivalent Rupee			
Opening Balance (Rs. Cr.)	17.02	16.06	11.41
Addition (Rs. Cr.)	0.00	0.00	0.00
Principal Repayment (Rs. Cr.)	4.54	5.24	5.83
Closing Balance (Rs. Cr.)	14.45	10.26	5.96
Interest Payment (Rs. Cr.)	0.46	0.44	0.29

IDBI Foreign Currency Loan

4.18 The approved loan amount from IDBI is for US $2.62 Mn with a floating interest rate pegged to LIBOR valid from time to time for a period of 3 months. The tenure of the loan has been considered as 11 years with 1 year moratorium period and quarterly repayments as per the loan documents. The Commission had determined the interest charges on the loan at 4.5% margin over the 3 month LIBOR for US dollar in the MYT Order for the FY12 to FY14.

4.19 The Petitioner in its true-up petition has submitted that IDBI bank has revised the margin on the loan from 4.5% to 5.1% from 1st October 2012 and has claimed the actual applicable margin for claiming the interest on IDBI foreign currency loan.

4.20 The Commission has trued up the interest payments as per the applicable interest rates. The Commission has computed interest on outstanding loan at 3 month LIBOR plus margin rate charged by IDBI Bank as per the submission of the petitioner.

4.21 The interest payments and the repayments have been calculated in US Dollar (USD) terms and then converted to equivalent rupee terms by applying the foreign exchange conversion rate as submitted by the Petitioner as given in the table below:

Table 25: Exchange Rate and Libor for the Control Period considered for IDBI Foreign loan

Particulars	FY 12	FY 13	FY 14
Exchange Rate (Rs/USD)			
Q1	44.50	54.81	59.42
Q2	49.42	52.79	62.36
Q3	53.30	54.39	61.90
Q4	50.57	54.34	59.65
LIBOR Rate (%)			
Q1	0.3010%	0.4681%	0.2836%
Q2	0.2457%	0.4606%	0.2731%
Q3	0.3686%	0.3603%	0.2489%
Q4	0.5810%	0.3050%	0.2466%

4.22 Based on the above, the Commission approves the principal repayment and interest charges for the period FY12 to FY14 as shown in the following Table below:

Table 26: IDBI Foreign Loan Repayment and Interest Trued Up for the Control Period

Loan	FY12	FY13	FY14
Opening Balance (US $ Mn)	0.85	0.59	0.33
Addition (US $ Mn)	-	-	-
Principal Repayment (US $ Mn)	0.26	0.26	0.26
Closing Balance (US $ Mn)	0.23	0.13	-
Interest Payment (US$ Mn)	0.04	0.03	0.01
Equivalent Rupee			
Opening Balance (Rs. Cr.)	3.79	3.23	1.94
Addition (Rs. Cr.)	0.00	0.00	0.00
Principal Repayment (Rs. Cr.)	1.30	1.42	1.59
Closing Balance (Rs. Cr.)	2.98	1.78	0.39
Interest Payment (Rs. Cr.)	0.19	0.15	0.07

Total Interest and Repayment

4.23 The following table depicts the total interest and repayment approved for domestic and foreign currency loans for Control Period.

Table 27: Total Interest and Repayments (Rs. Cr.)

Loan	FY12	FY13	FY14
ICL			
Total Opening Balance (Rs. Cr.)	419.66	328.37	244.70
Total Addition (Rs. Cr.)	-	-	-
Total Principal Repayment (Rs. Cr.)	91.29	83.67	83.67
Total Closing Balance (Rs. Cr.)	328.37	244.70	161.02
Total Interest Payment (Rs. Cr.)	40.79	30.98	21.53
FCL			
Total Opening Balance (Rs. Cr.)	67.34	62.63	44.78
Total Addition (Rs. Cr.)	-	-	-
Total Principal Repayment (Rs. Cr.)	17.32	19.76	21.80
Total Closing Balance (Rs. Cr.)	57.68	42.17	25.98
Total Interest Payment (Rs. Cr.)	3.29	2.92	2.06
Total ICL + FCL			
Total Opening Balance (Rs. Cr.)	487.00	391.00	289.48
Total Addition (Rs. Cr.)	-	-	-
Total Principal Repayment (Rs. Cr.)	108.61	103.43	105.47
Total Closing Balance (Rs. Cr.)	386.05	286.86	187.01
Total Interest Payment (Rs. Cr.)	**44.08**	**33.90**	**23.58**

Depreciation and Advance Against Depreciation (AAD)

4.24 The Commission has trued-up the depreciation and advance against depreciation for the Control Period FY12 to FY14 as per Clause 8.6.5.1 of the PPA. The amount of depreciation and computation of advance against depreciation for the Control Period FY12 to FY14 as per the loan repayment approved above is detailed below:

Table 28: Trued Up Depreciation and Advance against Depreciation for the Control Period for FY12 to FY14 (Rs. Cr.)

Particulars		FY 12	FY 13	FY 14
1/12th of the Loans	A	95.22	95.22	95.22
Repayment of the Loans as considered for working out Interest on Loan	B	108.61	103.43	105.47
Minimum of the Above	C	95.22	95.22	95.22
Less: Depreciation during the year	D	**70.19**	**70.19**	**70.19**
A	E=C-D	25.03	25.03	25.03
Cumulative Repayment of the Loan as considered for working out Interest on Loan	F	772.23	875.66	981.13
Less: Cumulative Depreciation	G	736.85	832.07	927.29
B	H=F-G	35.39	43.59	53.84
Advance Against Depreciation		**25.03**	**25.03**	**25.03**
Depreciation + AAD		**95.22**	**95.22**	**95.22**

Operations and Maintenance Expenses

4.1 The Commission has computed the O&M charges as per clause 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"

4.2 Accordingly, the Commission has applied an escalation rate of 6% on the previous year O&M expenses for computation of O&M expenses for the Control Period FY12 to FY14.

4.3 With respect to the additional capital cost approved by the Commission in its Order dated 24 January 2011, an escalation rate of 6% has been considered as per the provisions of the PPA.

4.4 With respect to the O&M expense being paid by the petitioner to SJVNL for the Inter Connection Facility (ICF), the Commission in the MYT Order for BASPA HEP for FY15 to FY19 had stated the following:

"4.66 As per Clause 6.1 of Article 6 of the said agreement between the Petitioner and SJVNL, base O&M charges are equivalent to 1.50% of the cost of the works for the period commencing from Commissioning date and ending on the following March 31st and shall be escalated at 6% per annum for the subsequent financial years as per Clause 6.2 of the agreement.

4.67 The Commission is of the view that the provision of the PPA relating to O&M expenses would not apply to the ICF which was constructed and was being operated by a separate agency i.e. SJVNL under a separate agreement. The Commission had reiterated its stand on the additional O&M expenses vide its Order dated 8th October 2013 on the Review Petition filed by the Petitioner. The Commission had decided that it would consider additional O&M expenses on submission of the documentation in support of the actual payments made by the Petitioner to the SJVNL.

4.68 The Petitioner has now submitted the documents pertaining to the payments made to the SJVNL towards the O&M expenses on the ICF. The Commission noted that the actual payments made to the SJVNL are in variance with the amount claimed in the Petition. Based on the queries/ clarifications of the Commission, the Petitioner submitted the revised O&M expenses for the ICF.

4.69 Based on the submissions of the Petitioner, the Commission has computed the additional O&M expenses of 0.25% towards ICF from the date of commissioning of the project as per the methodology approved in the previous Orders upto the FY 2010-11. ***The additional O&M expenses for the period from FY 2011-12 to FY 2013-14 shall be considered at the time of true-up of Control Period.****"*

4.5 Accordingly, the Commission has computed the additional O&M expense of 0.5% on the inter-connection facility along with an escalation of 6% on the same.

4.1 Additionally, the Commission in its Order dated 8 October 2013 on the Review Petition filed by the petitioner had stated:

"(4) Reimbursement of Service Tax on O&M Charges paid to SJVNL

While dealing with this issue in para 36 of the impugned order, the Commission mentioned that the situation has essentially arisen on account of change in law after the COD of the project and in such circumstances the increase in cost is allowed either through tariff or otherwise. Under these circumstances, the Commission held that the petitioner would be entitled to the cost actually paid to the SJVNL on account of service tax on O&M charges for maintenance of ICF from time to time and the recovery of the cost would be through the tariff mechanism. In view of this, the findings of the Commission need not be interfered with on the review."

4.2 In line with its Order dated 8 October 2013, the Commission has approved service tax on the amount of O&M expenses payable to the SJVNL towards the ICF as part of truing-up for FY12 to FY14.

4.3 The total trued-up O&M expenses for the Control Period FY12 to FY14 are detailed in table below:

Table 29: Approved O&M Expenses for Control Period (Rs. Cr.)

Particulars	FY 12	FY 13	FY 14
Base O&M Expenses (excluding additional capitalization & ICF facility)	27.65	29.31	31.06
Add: O&M expense towards additional capitalization approved	1.43	1.52	1.61
Add: O&M expense towards ICF facility	1.49	1.57	1.67
Add: Service Charge on ICF O&M Expenses	0.18	0.19	0.21
Total O&M Expenses Approved	**30.75**	**32.59**	**34.55**

Return on Equity (RoE)

4.4 As per the Section 8.7.3 of the PPA

"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."

4.5 The Commission has approved the Return on Equity (RoE) as per Section 8.7.3 of the PPA and has computed the RoE considering 16% return per annum on the approved equity base. The Commission in its Order dated 6 June 2014 had approved an additional expenditure of Rs 2.57 Crores towards ICF in FY11. Normative equity of 30% has been considered for funding of the additional capital cost in line with the provisions of the PPA. The trued-up RoE as computed is provided in the table below:

Table 30: Trued Up Return on Equity for Control Period for FY12 to FY14 (Rs. Cr.)

Particulars	FY11	FY 12	FY 13	FY 14
Opening Balance of Equity	488.95	489.72	489.72	489.72
Additions During the Year	0.77	-	-	-
Closing Balance of Equity	489.72	489.72	489.72	489.72
Rate Of Return	16%	16%	16%	16%
Return on Equity	**78.29**	**78.36**	**78.36**	**78.36**

Interest on Working Capital

4.6 As per clause 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 capitalized. 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

4.7 The rate of interest for calculating the interest on working capital has been taken as per the SBI PLR as on 1st April of the respective year of the Control Period for FY 12 to FY14 as shown in table below:

Table 31: Trued Up Interest on Working Capital for FY12 to FY14 (Rs. Cr.)

Particulars	FY 12	FY 13	FY 14
1/12th of O&M Expenses	2.56	2.72	2.88
Maintenance Spares 12% of O&M Expenses	3.69	3.91	4.15
Receivables equivalent to 2 months average billing	60.45	50.75	51.85
Total Working Capital	66.70	57.38	58.87
Rate of Interest	13.00%	14.75%	14.45%
Interest on Working capital	**8.67**	**8.46**	**8.51**

Incentive for Secondary Energy and Higher Plant Availability

4.8 The computation of incentives has been detailed in the Section 8.9 of the PPA on "Incentive for Secondary Energy" and Section 8.10 of the PPA on "Incentive on Account of Higher Plant Availability".

4.9 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..."*

4.10 The Commission in this Order has trued-up the incentive for secondary energy as per the actual plant availability and the actual secondary energy generation for the years FY12 to FY14 as per the submission of the Petitioner.

Table 32: Approved Incentive for Secondary Energy

Particulars	FY 12	FY 13	FY 14
Secondary Energy Generation (MU)	155	29.29	120.95
10% ROE Secondary Energy/ 155 MU (Rs. Cr.)	**48.97**	**9.25**	**38.21**

4.1 Further, as per the Section 8.10 of the PPA, the incentive towards higher plant availability factor is required to be computed as below:

"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."

4.2 The Commission, for the Control Period, has considered actual plant availability for approval of incentive on higher plant availability which is given in the table below:

Table 33: Trued Up Incentive on Higher Plant Availability for Control Period FY12 to FY14

Particulars	FY 12	FY 13	FY 14
Normative Plant Availability (%)	90.00	90.00	90.00
Actual Plant Availability (%)	99.97	99.87	99.98
Higher Plant Availability (%)	9.97	9.87	9.98
Incentive (Rs. Cr.)	**9.79**	**9.79**	**9.79**

Income Tax

4.3 As per Clause 8.11 of the PPA, the Tax on Income is payable as an expense to the Petitioner by the HPSEBL.

4.4 The clause 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."

4.5 In the True-up Order for FY09 to FY11, the Commission had stated the following:

"3.115 For the Petitioner, the Minimum Alternative Tax is applicable for the first 10 years from the date of commissioning.

3.116 In earlier orders, the Commission had 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 FY11.

3.117 The Petitioner filed an appeal in Hon'ble Apellate Tribunal of Electricity (ATE) against the Income Tax calculation, challenging the Multi Year Tariff Order dated 30.3.2009 passed by the Commission for the period FY 2008 -09 to FY 2010-11 and true up of financials for the period 2003-04 to 2007-08 for the appellant's hydro electric power station and the review order dated 10.09.2009.

3.118 Hon'ble ATE in its Order dated 21st October, 2011 has held that -

"The appellant is entitled to payment of MAT by the respondent no. 2 under clause 20.21 of the PPA as per actuals during the tax holiday period available to the appellant under Section

80-IA of the Income Tax Act, 1961. After the expiry of the tax holiday period, the appellant will be entitled to payment of Tax on Income as per clause 8.11 of the PPA."

In the True-up Order for FY09 to FY11, the Commission had directed the petitioner to submit all information/ documents for computation of MAT in accordance with the directions of Hon'ble ATE. However, the Petitioner was unable to provide the relevant information for computation of MAT. Further, the Hon'ble ATE judgment was challenged before Hon'ble Supreme Court by the HPSEBL. The Commission had deferred the treatment of Hon'ble ATE until submission of the information by the petitioner at the time of issuance of True-up Order for FY09-FY11.

4.6 Subsequently, the Petitioner submitted a petition for truing up of tariff for FY04 to FY11 and revision of tariff for the control period FY12 to FY14. The Commission issued an Order dated 06 September 2012 giving impact of the Hon'ble ATE order for pass through of the MAT liability for FY04 to FY11 as well as review of ARR for the Control Period FY12 to FY14.

4.7 In the petition for true-up for FY12 to FY14, the Petitioner has claimed for actual MAT for each year of the Control Period i.e. FY12 to FY14. In response to the objections raised by the HPSEBL with respect to income tax, the petitioner had provided challan copies of the actual tax paid in respect of BASPA-II HEP.

4.8 The Commission observed that the Petitioner has submitted the Income Tax return for FY12 and FY13 for M/S JPVL as a whole and therefore the MAT liability attributable to BASPA-II HEP could not be verified. Further, the actual MAT paid as per the claim of the Petitioner did not validate with the audited accounts for BASPA-II submitted along with petition. The petitioner was asked to clarify various inconsistencies in the tax amount and provide appropriate documents for validating the claim with respect to Income tax claim. The petitioner was also asked to clarify the applicability of tax holiday period, provide details of any MAT credit availed during the Control Period FY12 to FY14, and submit the Income Tax return for FY14. The details with respect to any refund / credit received for the previous years was also sought.

4.9 The Petitioner in its response vide M.A. no. 28(A)/2015 dated 5.03.2015 has submitted the income tax return of M/s JPVL for FY14 and has clarified that the income tax return submitted corresponds to the tax payment of M/s JPVL which includes other operating projects namely Vishnuprayag HEP and Karcham Wangtoo HEP. In order to justify the tax claim, the petitioner has submitted the certificates from the auditors regarding the tax payments pertaining to the income of Baspa II HEP. In its reply the petitioner stated that the claim under section 80IA of Income Tax Act was from FY04 to FY13 but no MAT credit was availed during the Control Period FY12 to FY14.

4.10 The Petitioner also submitted that the actual tax liability as per the audited accounts correspond to the total cost of project of BASPA-II and has provided a reconciliation of the claimed MAT amount and MAT amount as per audited accounts.

4.11 After examining the various documents/ submissions, the Commission observed that the MAT claim with respect to BASPA-II HEP cannot be validated with respect to the income tax returns submitted by the Petitioner that pertains to M/s JPVL as a whole. Further, it is observed that the auditor certificates regarding advance income tax submitted by the petitioner with respect to Baspa-II HEP does not reconcile with the total amount of tax claimed in the petition and a difference on account of TDS amount exist for which no supporting documents has been submitted by the Petitioner. Therefore, the Commission has considered the amount of tax actually paid equivalent to the auditor certificates on advance income tax provided by the petitioner for the period FY12 and FY13 provisionally.

4.12 For FY14, it is observed that the total tax paid towards Baspa-II HEP (as per the auditor certificate) is equal to the total tax paid by the company (as a whole) as per the income tax return for FY14 submitted by the Petitioner vide M.A no. 28(A) of 2015 dated 05.03.2015. Based on the analysis of the tax claim of the JPVL for Baspa-II HEP in respect of FY 12 and FY 13 vis-à-vis the total amount of tax paid by the company (as a whole) for FY12 and FY13, it is observed that the tax amount of Baspa II HEP correspond to 39% and 30% respectively of the total amount of tax paid. Despite assuring further clarification in this matter, no communication was received from the JPVL. In the absence of any further details/document/ clarification, the Commission is constrained to provisionally consider the tax amount of Baspa-II for FY 2014 based on the average of last two years' proportion of the Baspa II HEP tax claim to the total tax paid.

4.13 Since the Petitioner is entitled for tax holiday under Section 80IA of Income Tax for 10 year period from FY04 to FY13, the claim towards MAT liability was being approved by the

Commission. The Petitioner has claimed for MAT liability for FY14 in view of the applicability of MAT to them. Accordingly, the Commission has computed the MAT liability for FY12 to FY14 similar to the approach followed in its Order dated 06 September 2012 and has approved the lower of MAT computed and actual MAT paid in the ARR for the respective years. The working for the MAT for FY12 and FY14 is provided in table below:

Table 34: Approved MAT for the Control Period FY12 to FY14 (Rs. Cr.)

Particulars	FY12	FY13	FY14
Revenue from Sale of Electricity	305.46	310.78	299.00
Interest on Arrears	3.27	2.56	14.69
(A) Total Revenue	**308.73**	**313.34**	**313.69**
O&M Expenses	28.72	27.77	29.40
Interest	55.51	50.98	43.01
Depreciation	49.05	49.37	53.52
(B)Total Expenses	**133.28**	**128.12**	**125.93**
(C) Profit eligible for MAT (A-B)	175.45	185.22	187.76
(D)MAT Rate	19.93%	20.01%	20.01%
MAT now approved (C*D)	34.97	37.06	37.57
(E) MAT Actually paid	34.71	25.50	12.15 (*)
(F) Lower Of the MAT Approved and MAT Actually Paid	**34.71**	**25.50**	**12.15**

(*) Actual MAT is considered as per methodology explained in Para 4.12 above.

4.14 The income tax approved by the Commission against true-up for FY12 to FY14 is provided in table below:

Table 35: Trued-up Tax for the Control Period FY12-FY14 (Rs. Cr.)

Particulars	FY 12	FY 13	FY 14
Income Tax	34.71	25.50	12.15

Amortization of Cost of Debt Restructuring

4.15 The Commission has continued with the approach for computing the amortization of cost towards debt restructuring as approved in the MYT Order for FY12 to FY14. The principal amount of the debt restructuring expenditure has been considered to be recovered over a period of eight years as part of the capacity charges beginning FY 2008-09 at a carrying cost of 8% p.a. The approved interest on debt restructuring for the Control Period is shown below:

Table 36: Trued Up Interest on Cost of Debt Restructuring (Rs. Cr.)

Particulars	FY 12	FY 13	FY 14
Total Opening Balance	44.26	35.41	26.56
Total Repayment	8.85	8.85	8.85
Total Closing Balance	35.41	26.56	17.71
Rate of Interest	8%	8%	8%
Total Interest	3.19	2.48	1.77

Annual Fixed Charge for BASPA II HEP

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

Table 37: Trued-up Annual Fixed Charge for BASPA-II HEP for Control Period FY12-FY14 (Rs. Cr.)

Particulars	FY 12	FY 13	FY 14
Capacity Charges			
Interest on outstanding loans	44.08	33.90	23.58
Depreciation + AAD	95.22	95.22	95.22
Interest on loan related to debt restructuring	3.19	2.48	1.77
Repayment of loan related to debt Restructuring	8.85	8.85	8.85

Particulars	FY 12	FY 13	FY 14
Application fee	0.08	0.08	0.08
Sub-total Capacity Charges	**151.43**	**140.54**	**129.51**
Primary Energy Charges			
O&M Charges	30.75	32.59	34.55
Return on Equity	78.36	78.36	78.36
Interest on Working Capital	8.67	8.46	8.51
Sub-total Primary Charges	**117.77**	**119.41**	**121.42**
Incentives and Taxes			
Incentive for Secondary Energy	48.97	9.25	38.21
Incentive for Higher Plant Availability	9.79	9.79	9.79
Tax	34.71	25.50	12.15
Sub-total Incentives and Taxes	**93.48**	**44.55**	**60.16**
Total Annual Fixed Charges	**362.68**	**304.50**	**311.09**

Amount Payable by the Board

4.17 As per the jointly reconciled statement submitted by the JPVL, the payments made by the HPSEBL to the JPVL excluding rebate and deduction for energy export are as shown in the following table:

Table 38: Payments made by HPSEBL to JPVL as per Jointly Reconciled Statement (Rs. Cr.)

Particulars	FY 12	FY 13	FY 14
Payment made by HPSEBL	**331.89**	**325.47**	**324.47**

4.18 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 FY12 to FY14.

4.19 The computations of the arrears payable by the Board are as shown in the following Table:

Table 39: Arrears payable by the Board (Rs. Cr.)

Particulars	FY 12	FY 13	FY 14
Total Annual Fixed Charges	362.68	304.50	311.09
Payment Made by HPSEBL	331.89	325.47	324.47
Revenue Surplus/ (Gap)	(30.79)	20.97	13.38
Opening Balance	-	32.79	15.11
Additions/(Subtractions)	30.79	(20.97)	(13.38)
Closing Balance of Base Amount	30.79	11.82	1.73
Average Balance	15.39	22.30	8.42
Interest Rate	13.00%	14.75%	14.45%
Interest	2.00	3.29	1.22
Closing Balance of Payment	32.79	15.11	2.94

4.20 The closing balance of arrears at the end of FY 14 is Rs 2.94 Crores. The Commission directs the HPSEBL to pay the entire amount along with the carrying cost for FY14-15 and 3 months of FY16 till 30th June 2015. The interest payable on arrears by the HPSEBL till 30th June 2015 will be allowed as a pass through in the ARR of the HPSEBL. However, any interest payable on arrears post 30th June, 2015 will not be allowed as pass through in the ARR.