

**Multi Year Tariff Order
for
BASPA II HEP
For
FY 2014-15 to FY2018-19**

And

**Approval of Additional O&M Expenses and Service Tax for
Inter- Connection Facility maintained by the SJVNL for the
FY 2003-04 to FY 2013-14**



Himachal Pradesh Electricity Regulatory Commission

6th June 2014

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

CASE NO. 138/2013 and 142/2013

**CORAM
SUBHASH CHANDER NEGI**

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 Limited; and, Application for payment of additional O&M expense and Service Tax for Inter-Connection facility.

AND

IN THE MATTER OF:

Jaiprakash Hydro Power Limited,
JUIT Complex, Wagnaghat
P.O. Dumehar Bani
Kandaghat-173 215, District Solan (H.P.)

PETITIONER/APPLICANT

The Applicant has filed a Petition 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 Ltd. for the Control Period (FY 2014-15 to FY 2018-19) and approval of additional O&M expenses and Service tax thereon for the interconnection facility.

The Himachal Pradesh Electricity Regulatory Commission after considering the Petition/(s) filed by the Applicant, the facts presented in its various filings, objections/suggestions received by the Commission from the Himachal Pradesh State Electricity Board Limited, the issues raised in the hearings 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 Tariffs) Regulations, 2011, HPERC (Terms & Conditions for Determination of Hydro Generation Tariffs) (First amendment) Regulations, 2011 and HPERC (Terms & Conditions for Determination of Hydro Generation Tariffs) (Second amendment) Regulations, 2013 and in terms of the Power Purchase Agreement signed between the HPSEBL, the distribution licensee and M/s JPVL (the Generating Company) on 04th June 1997, passes the following Order determining tariffs for 300 MW Baspa II Hydro Power Plant for the MYT period, FY 2014-15 to FY 2018-19.

Shimla
Dated: 6th June, 2014

(Subhash Chander Negi)
Chairman

Contents

1. BACKGROUND.....	1
Multi Year Tariff Regulations	2
Procedural Background	2
Filing of Petition	3
Admission of the Petition	3
Technical Validation Session	3
Public Hearing	4
2. Summary of the Tariff Petition.....	6
3. Responses from the Stakeholders	10
4. ANALYSIS OF THE TARIFF PETITION	17
Introduction	17
Computation of Tariff.....	17
Capacity Charge	17
Primary Energy Charge.....	17
Incentive for Secondary Energy.....	18
Incentive for Higher Plant Availability.....	18
Tax on Income.....	18
Energy Generation from the plant.....	18
Additional Capital Cost	19
Interest on Loans	21
Domestic Loans	21
Foreign Currency Loans.....	27
Depreciation and Advance against Depreciation.....	31
Operations and Maintenance (O&M) Expenses	31
O&M expenses.....	33
O&M expenses on ICF facility.....	34
Return on Equity (RoE)	38
Interest On working Capital	38
Incentive for Secondary Energy and Higher Plant Availability	39
Income Tax.....	40
Amortization of Cost of Debt Restructuring.....	41
Revision in ARR for FY 2010-11 for Additional Capitalization	41
Annual Fixed Charge for BASPA II HEP	42

LIST OF TABLES

Table 1: 300 MW BASPA II - Project Details	6
Table 2: Proposed ARR for the 3 rd Control Period.....	7
Table 3: Net Saleable Energy from BASPA II HEP	18
Table 4: Energy Generation approved by the Commission for MYT period	19
Table 5: Additional Capitalization and Funding approved by the Commission.....	20
Table 6: Revised Capital Structure of the BASPA-II HEP approved by the Commission	20
Table 7: IDBI loan repayment and Interest approved for the Control period (Rs Crs).....	22
Table 8: PFC Loan repayment and Interest approved for the Control period (Rs Crs)	22
Table 9: IFCI Loan Repayment and Interest approved for the Control period (Rs Crs)	23
Table 10: IIBI Loan Repayment and Interest approved for the Control period (Rs Crs).....	23
Table 11: LIC Loan Repayment and Interest approved for the Control period (Rs Crs)	23
Table 12: Bank of Baroda Loan Repayment and Interest approved for the Control period (Rs Crs)	24
Table 13: PNB Loan Repayment and Interest approved for the Control period (Rs Crs)	24
Table 14: IOB Loan Repayment and Interest approved for the Control period (Rs Crs).....	24
Table 15: SBoI Loan Repayment and Interest approved for the Control period (Rs Crs)	25
Table 16: SBoH Loan Repayment and Interest approved for the Control period (Rs Crs)	25
Table 17: IDBI (New) Loan Repayment and Interest approved for the Control period (Rs Crs)	25
Table 18: IFCI (New) Loan Repayment and Interest approved for the Control period (Rs Crs)	26
Table 19: Normative Loan-1 Repayment and Interest approved for the Control period (Rs Crs)	26
Table 20: Normative Loan-2 Repayment and Interest approved for the Control period (Rs Crs)	27
Table 21: Crédit Agricole Repayment and Interest approved for the Control period.....	28
Table 22: Hypovereinsbank Repayment and Interest approved for the Control period	29
Table 23: VA tech finance Repayment and Interest approved for the Control period	29
Table 24: IDBI Repayment and Interest approved for the Control period	30
Table 25: Total Repayment and Interest Approved for the Control period (Rs Crs).....	31
Table 26: Approved Depreciation and Advance Against Depreciation for the Control Period (Rs Crs)	31
Table 27: WPI and CPI considered for Third Control Period	33
Table 28: Additional O&M expenses approved by the Commission (Rs Crores)	35
Table 29: Service tax on O&M expense related to ICF	37
Table 30: Approved O&M Expenses for third Control Period (In Rs Crores)	37
Table 31: Approved Return on Equity for Third Control Period (In Rs Crores)	38
Table 32: Approved Interest on Working Capital (In Rs Crores)	39
Table 33: Approved Income Tax for Third Control Period (In Rs Crores)	41
Table 34: Approved Interest on Debt Restructuring (In Rs Crores).....	41
Table 35: Additional ARR on account of Additional Capitalization (In Rs. Crore)	42
Table 36: Annual Fixed Charge for BASPA II HEP	42
Table 37: Tariff for BASPA II HEP for the Third Control Period as approved by the Commission.....	43

1. BACKGROUND

- 1.1 M/s Jaiprakash Power Ventures Limited (hereinafter referred to as 'the Petitioner' or 'Applicant' or 'JPVL'), 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 a Petition on 23rd November, 2013 (registered as Petition no. 138/2013) with the Himachal Pradesh Electricity Regulatory Commission (hereinafter referred to as 'the Commission' or 'HPERC') under sections 62 and 86 of the Act, read with Himachal Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Hydro Generation Tariff) Regulations, 2011, Himachal Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Hydro Generation Tariff) (First Amendment) Regulations, 2011, and Himachal Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Hydro Generation Tariff) (Second Amendment) Regulations, 2013 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 '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, in pursuance of the Power Purchase Agreement (PPA) dated 4th June 1997.
- 1.2 The Applicant has also filed a petition with the Commission on 5th December , 2013 (registered as Petition no. 142/2013) for approval of payment of additional O&M expenses and service tax on O&M expenses reimbursed to M/s Satluj Jal Vidyut Nigam Ltd. (SJVN) for the interconnection facility for the FY 2003-04 to FY 2013-14 pursuant to Order of the Commission dated 24th January, 2011 in Case no. 11/2010 and Review Order passed by the Commission dated 8th October, 2013 in Case no. 19/2011. Since this Petition supplements the main Petition (No. 138/2013) and requires additional adjustments in the MYT ARR, the Commission decided to dispose-off this Petition along with the main petition.
- 1.3 Accordingly, this Order relates to the determination of tariff for sale of electricity from Baspa II 300 MW hydro power plant to HPSEBL for each year of the Control Period (FY 2014-15 to FY 2018-19) under the Multi Year Tariff regime duly considering the additional O&M expenses and service tax on O&M expenses reimbursed to SJVN for interconnection facility.
- 1.4 The Commission has reviewed the operational and financial performance of the Applicant for previous years and has finalized this Order based on the PPA between the JPVL and HPSEBL, review and analysis of 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

- 1.5 As per Section 61 of the Electricity Act, 2003, the Appropriate Commission shall specify the terms and conditions for the determination of tariff, and in doing so, shall be guided by the principles and methodologies specified by the Central Commission for determination of tariff applicable to generating companies and also by the National Tariff Policy formulated under the said Act.
- 1.6 The Himachal Pradesh Electricity Regulatory Commission had framed the HPERC (terms and Conditions for Determination of Hydro Generation tariff) Regulations, 2007.
- 1.7 Subsequently, the Commission, for undertaking an exercise to determine the tariff for generating companies for the Control Period (FY 2011-12 to FY 2013-14) amended and modified the existing regulations in view of the changes in the National Tariff Policy and the principles and methodologies adopted by the Central Commission and issued Himachal Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Hydro Generation Tariff) Regulations, 2011. The Commission amended these regulations vide HPERC (Terms and Conditions for Determination of Hydro Generation Tariff) (First Amendment) Regulations, 2011 dated 30th July, 2011.
- 1.8 For determination of tariff for hydro generating projects for the next Control Period starting from 1st April, 2014, the Commission in exercise of the powers conferred by clauses (zd), (ze) and (zf) of sub-section (2) of Section 181, read with sections 61, 62 and 86, of the Electricity Act, 2003 (36 of 2003) issued the Himachal Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Hydro Generation Tariff) (Second Amendment) Regulations, 2013 vide notification dated 1st November, 2013.

Procedural Background

- 1.9 The Commission had issued an MYT Order on 15th July, 2011 approving the tariff for sale of power from 300 MW Baspa II Hydro power plant to the HPSEBL for each year of the Second Control Period from FY 2011-12 to FY 2013-14.
- 1.10 The tariff in this Order was revised by the Commission vide its Order dated 06th September 2012 in the matter of Petition no. 135/2011 dated 08th February 2011 filed by the JPVL in compliance to the Order of the Hon'ble ATE dated 21.10.2011 in Appeal no. 39 of 2010 to 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.
- 1.11 Subsequently, the Commission trued-up the MYT ARR for the First Control Period i.e. FY 2008-09 to FY 2010-11 vide its Order dated 23rd April, 2012.
- 1.12 M/s Deloitte Touche Tohmatsu India Pvt. Ltd. was appointed as Consultants to assist the Commission in determination of tariff for sale of power generated from Baspa II Hydro Electric Project (HEP) to the HPSEBL for 3rd Control period.

Filing of Petition

- 1.13 The Petitioner has now filed a petition on 23rd November, 2013 for determination of Tariff for the Third Control Period i.e. FY 2014-15 to FY 2018-19 and filed another petition on 5th December 2013 for approval of additional O&M expenses and service tax on O&M expense to be reimbursed to SJVNL for the period FY 2003-04 to FY 2013-14.
- 1.14 Based on preliminary scrutiny of the MYT Petition, the Commission conveyed the deficiencies vide Letter. No. HPERC/MYT 3/BASPA/2013-14/2634 dated 16th December 2013 and directed the Petitioner to file the additional information/clarifications to make the Petition complete. In response, the Petitioner submitted additional information/clarifications to the Commission on 10th January, 2014 which was registered as MA No 01/2014.
- 1.15 Based on the initial scrutiny in respect of Petition no 142/2013 certain deficiencies/shortcomings were observed which were communicated to the Petitioner vide HPERC/MYT-3/BASPA/2013-14/ 3145-46 dated 6th February, 2014. The Petitioner was advised to rectify the defects and furnish the requisite information complete in all respects by 17th February, 2014. The Petitioner responded to the Commission's queries through an affidavit received on 22nd February, 2014 which was registered as M.A. no. 23/2014.
- 1.16 The Commission raised additional queries in Petition number 138/2013 vide letter no. HPERC/MYT 3/BASPA/2013-14/ 3120-21 dated 1st February 2014. The Petitioner was allowed time till 17th February 2014 to file its response. The Petitioner responded to the queries through an affidavit received on 22nd February, 2014 which was registered as MA no 24/2014.

Admission of the Petition

- 1.17 The Commission admitted the Petition vide its Interim Order dated 23rd January, 2014 directing the Petitioner to publish the salient features of the Petition in an abridged form and manner as per the 'disclosure formats' attached with the Interim Order.

Technical Validation Session

- 1.18 The Commission conducted a Technical Validation Session (TVS) on 24th February 2014 in the Commission's office on both the petitions filed by the Petitioner for ensuring that appropriate information is available for processing of the Petition and at the same time giving sufficient opportunity to the Petitioner to explain its stand on various issues.
- 1.19 Subsequently, based on the discussions held during the TVS, the Commission issued another deficiency note vide HPERC/MYT-3/BASPA/2013-14/3300-01 dated 25th February, 2014 for additional information and clarifications on the issues discussed

during TVS. The Petitioner responded vide affidavit dated 28th February, 2014 which was registered as MA no 37/2014.

- 1.20 The Commission observed additional deficiencies in the response submitted by the Petitioner and issued another clarification letter vide HPERC/MYT-3/BASPA/2013-14/3394-95 dated 5th March, 2014. The Petitioner responded to the observations vide affidavit dated 12th March, 2014 which was registered as M.A. no. 47/2014.

Public Hearing

- 1.21 In compliance to the Interim Order dated 23rd January 2014, the Petitioner published the salient features of the Petition in the following newspapers:

Sl.	Name of News Paper	Edition	Date of Publication
1.	The Tribune (English)	Chandigarh	28 th and 30 th January 2014
2.	Himachal Dastak (Hindi)	Shimla	28 th and 30 th January 2014

- 1.22 The Commission also published a Public Notice inviting suggestions and objections from the public on the petition filed by the Petitioner in accordance with Section 64(3) of the Act which was published in the following newspapers:

Sl.	Name of News Paper	Edition	Date of Publication
1.	The Tribune (English)	Chandigarh, Jalandhar and Bathinda	31 st January 2014
2.	Divya Himachal (Hindi)	Shimla, Chandigarh and Dharamshala	31 st January 2014

- 1.23 The interested parties/ stakeholders were asked to file their objections/ suggestions on the petition by 22nd February, 2014. The Petitioner was required to submit replies to the objections/suggestions of the stakeholders on or before 10th March, 2014; and, the stakeholders were given time till 18th March, 2014 to submit their rejoinder, if any.

- 1.24 The HPSEBL, buyer of 100% energy from BASPA II, requested the Commission for extension of time by additional two weeks for submission of its comments on the Petition through letter dated 21st February, 2014. The Commission allowed the HPSEBL to submit its comments latest by 3rd March, 2014.

- 1.25 The HPSEBL submitted its objections/ comments on the Petition no. 138/2013, vide affidavit received on 4th March, 2014 which was registered as M.A. no 38/2014. The

Petitioner responded to the objections of the HPSEBL vide affidavit dated 12th March, 2014 which was registered as M.A. no. 48/2014.

- 1.26 HPSEBL also filed additional objections and comments on 14th March, 2014 through an affidavit which was registered as M.A. no. 54/2014. The Petitioner responded to the objections of the HPSEBL vide affidavit received on 26th March, 2014 which was registered as M.A. no 73/2014.
- 1.27 The HPSEBL also filed objections and comments on the additional Petition no. 142 filed by the Petitioner through an affidavit received on 22nd March, 2014 which was registered as MA number 70/2014. Subsequently, the Petitioner's responded on the same vide affidavit received on 5th April, 2014 which was registered as MA no. 99/2014.
- 1.28 The Commission published a public notice in the following newspapers on 5th March, 2014 informing all the stakeholders about the public hearing to be held on 26th March, 2014 at 3 PM onwards:

The Tribune (Chandigarh, Bhatinda, Jalandhar Edition) English
Amar Ujala (Chandigarh , Dharmashala Edition) Hindi

- 1.29 A public hearing was held at the Commission's Court room at Shimla on 26th March, 2014 providing opportunity to all the stakeholders to express their objections/ suggestions in the matter. The objections, issues and concerns of the stakeholders alongwith the submissions of the Petitioner and the views of the Commission thereon are detailed in Chapter 3 of this Order.

2. Summary of the Tariff Petition

- 2.1 This Chapter summarizes the MYT Petition filed by the Petitioner on 23rd November, 2013 and the submissions made subsequently for determination of tariff for sale of power from the Baspa II, 300 MW Hydro Electric Project located on River Baspa, District Kinnaur (H.P.) for the Control Period (FY 2014-15 to FY 2018-19).

Details of the Project

- 2.2 The Baspa II hydro-electric project is a 300 MW plant with three units each of 100 MW commissioned by M/s JPVL in the FY 2003-04. 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: 300 MW BASPA II - Project Details

Particular	Details
Name of the Company	Jaiprakash Power Ventures Limited
Name of the Station	Baspa II Hydro Electric Project
Installed Capacity (MW)	3 X 100 = 300
Free power to home state	12%
Date of Commercial Operation	
Unit-1	24 th May 2003
Unit-2	29 th May 2003
Unit-3	8 th 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
Type of excitation	Static excitation
Design Energy	1213.18 MU
Transformation Losses (as per PPA)	0.50%
Auxiliary Losses	0.50%
Transmission Losses	0.65%

- 2.3 The Commission had passed an Order on 24.02.2007 approving the capital cost of the Baspa II 300 MW Hydro-electric Project at Rs.1533.96 crores for the purpose of determination of tariff. The Commission had also approved the Tariff for initial 5 years i.e. from FY 2003-04 to FY 2007-08 in the same Order. The Commission approved the ARR/ Tariff for the Control Period FY 2008-09 to FY 2010-11 and trued up the ARR/ Tariff for the period FY 2003-04 to FY 2007-08 through its Order dated 30.03.2009

(amended vide Order dated 10.09.2009 and 23.06.2010). Further, the Commission also approved the additional capital cost of Rs 95.88 Crs vide its Order dated 24.01.2011. Through its MYT Order dated 15.07.2011 (amended vide Order dated 06.09.2012), the Commission had approved the tariff for the MYT Control Period FY 2011-12 to FY 2013-14. The true-up Order for the period FY 2008-09 to FY 2010-11 was issued vide the Commission's Order dated 23rd April, 2012.

- 2.4 Now, the Petitioner has filed the Petition for determination of Tariff for the Third Control period i.e. FY 2014-15 to FY 2018-19 as prescribed under the multi-year tariff filing procedures set out under the PPA, HPERC (Terms & Conditions for Determination of Hydro Generation Tariff) Regulations, 2013 and amendments thereto.
- 2.5 The Petitioner has not proposed any capital expenditure during the third Control Period i.e. FY 2014-15 to FY 2018-19 and has therefore not submitted any Business Plan along with the MYT Petition.
- 2.6 The details of the tariff claimed in the Petition number 138/2013 are as under:

Table 2: Proposed ARR for the 3rd Control Period

Particulars	FY 15	FY 16	FY 17	FY 18	FY 19
	Projected	Projected	Projected	Projected	Projected
Saleable Energy	1,127.56	1,127.56	1,127.56	1,127.56	1,127.56
Interest on Loans	13.53	4.46	0.72	0.18	-
Depreciation	70.08	70.08	70.08	70.08	70.08
Advance against Depreciation	24.99	3.18	(63.94)	(66.32)	(70.08)
O & M expenses	36.43	38.62	40.94	43.40	46.01
Return on Equity	78.23	78.23	78.23	78.23	78.23
Interest on working capital	8.57	7.82	5.94	6.00	6.04
Incentive for Plant Availability	9.78	9.78	9.78	9.78	9.78
Provision For Income Tax	30.27	30.27	30.27	30.27	30.27
Incentive for Secondary Energy	24.45	24.45	24.45	24.45	24.45
Forex fluctuation	5.04	1.28	-	-	-
Interest on Loan for debt restructuring	1.06	0.35	-	-	-
Repayment of Loan for debt restructuring	8.85	8.85	-	-	-
Tariff filing Fee	0.05	0.05	0.05	0.05	0.05
Total Tariff	311.34	277.42	196.51	196.12	194.83

- 2.7 The Petitioner further submitted that CEA had issued techno economic clearance to Baspa II HEP vide its letter no. 2/HP/187-PAC/655-662 dated 29.04.1994 subject to its entering into an agreement with the SJVNL for setting up of an Inter-Connection Facility (ICF) terminating the 400 KV Transmission lines at Jhakri switchyard. In compliance with the directions of the CEA, an agreement was signed by the Petitioner

with SJVNL on 8th May 2003 for establishment of ICF at Jhakri by SJVNL. The cost of the ICF as approved by the CEA was to be borne by Petitioner.

- 2.8 CEA vide its letter dated 21st July 2003 approved the cost of ICF as on 10.05.2003 at Rs. 62.87 Crs. excluding the works which were yet to be executed. The Commission vide its Order dated 24.02.2007 approved the capital cost of Rs. 1533.96 crores including the ICF set up by SJVNL at Rs. 62.87 crores and vide its Order dated 07.02.2008 on the further claims of SJVNL Ltd observed that it would take a view on any further capital expenditure incurred on the ICF on its merit in subsequent tariff proceedings. The Commission vide its Order dated 24.01.2011 approved the additional amount of Rs. 1.80 Crores towards the additional capital expenditure claimed by SJVNL vide its letter dated 01.07.2009.
- 2.9 The Petitioner has submitted that SJVNL has now claimed an additional cost of ICF vide its 6th provisional bill for ICF and the Petitioner has paid an amount of Rs 3,32,61,104 to SJVNL against this bill. Accordingly, the Petitioner has proposed the additional capital cost for inclusion in determination of Tariff for the Third Control Period.
- 2.10 The Petitioner has also filed a separate Petition for claiming the payment of additional 0.25% O&M expenses and service tax thereon reimbursed to SJVN Limited towards the ICF for the period FY 2003-04 to FY 2013-14 pursuant to Order of the Commission dated 24th January 2011 in Case no. 11/2010 and Review Order dated 8th October, 2013 in Case no. 19/2011.
- 2.11 The Petitioner submitted that as per its agreement with the SJVNL, the O&M charges payable for the ICF shall be computed @1.5% per annum of the cost of ICF with an escalation of 6% per annum along with service tax thereon from June 2005 onwards.
- 2.12 The Commission has been allowing O&M charges at the rate of 1.25% of capital cost escalated at 6% per annum, as per the provisions in the PPA, to the Petitioner. Therefore, the Petitioner had filed an application (vide 11/2010) before the Commission with a prayer to allow the additional O&M expense @0.25% on ICF and service tax thereon being paid to SJVNL as per actuals. The amount claimed by the Petitioner as reimbursement of the service tax payable to the SJVNL is Rs.78,61,378/- from June 2005 to December 2009. Further, the Petitioner has requested the Commission to allow the additional O&M and service tax on the O&M charges being paid to the SJVNL from January 2010 onwards.
- 2.13 The Commission in its Order dated 24th January, 2011 had settled the issue of Service Tax by deciding that the situation had essentially arisen on account of change in law after the COD of the Project and in such circumstances the increase in costs must be allowed either through tariff or otherwise. The Commission opined that the Petitioner is 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 same shall be through the tariff mechanism. In the matter of additional O&M expenses, the Commission had opined that the provisions of the PPA relating to O&M expenses

would not apply to the ICF facility which has been constructed and is being operated by a separate agency i.e. the SJVNL under a separate agreement.

- 2.14 Accordingly, the Petitioner has now submitted its claim for additional O&M Charges @0.25% of capital cost to be allowed for the period June 2003 to March 2014 amounting to Rs 2,36,00,915 and Service Tax thereon paid/payable to the SJVNL for the period June 2005 to March 2014 amounting to Rs 1,38,75,874 along with supporting documents.

3. Responses from the Stakeholders

- 3.1 This Chapter summarizes the various issues/ objections raised by the stakeholders on the petition filed by the Petitioner. The objections/ suggestions of only one stakeholder i.e. HPSEBL has been received.
- 3.2 The issues raised by HPSEBL along with replies given to the objections by the Petitioner and views of the Commission are detailed hereafter:

Provision of Income tax

Stakeholder's Submission

- 3.3 After expiry of 10 years tax holiday period, the tax payable to the Petitioner should be computed according to the clause 8.11.1 of the PPA. In accordance with the orders of the Hon'ble APTEL, the Commission had determined the MAT vide Order dated 6th September, 2012 for FY 2011-12 to FY 2013-14 at Rs 19.83 Cr and HPSEBL had paid this amount along with the carrying cost. The Petitioner had not filed any Review Petition against the Order of the Commission and as such, its contention of payment of higher tax as per actuals is not justified. The Petitioner had not submitted the actual details of income tax paid along with the calculations and relevant documents without which the amount of income tax/MAT pertaining to the Baspa-II cannot be authenticated.

Petitioner's Response

- 3.4 The Petitioner submitted that it had claimed deduction under section 80IA of the Income Tax Act in respect of Baspa II HEP for ten years from FY 2003-04 to FY2012-13. The calculation of the Tax and Form 29B has been submitted to the Commission.

Commission's View:

- 3.5 The Commission notes that the objection pertains to the tax paid for the period FY 2011-12 to FY 2013-14. The Commission has not taken any view on the tax liability for the Second Control Period in this Order and would consider it at the time of true-up. The Commission has projected the income tax payable for Third Control Period according to the clause 8.11.1 of the PPA. Any credit, if accrued, for previous years would be adjusted in the true up of the Second Control Period.

O&M Expenses

Stakeholder's Submission

- 3.6 In the projections for the Control Period, the Petitioner has not taken into the consideration Clause no. 8.7.2 of the PPA which specifies that O&M expense would be escalated @ 6% for the first ten tariff years and after the expiry of the same, the methodology of escalation would be as per the formula given in Schedule-II of the PPA.

- 3.7 Further, the O&M expenses for the FY 2011-12 and FY 2012-13 submitted by the Petitioner in the MYT Petition are greater than the amount approved by the Hon'ble Commission in its Order dated 06-09-2012.

Petitioner's Response

- 3.8 The Petitioner has submitted that the O&M expenses have been escalated @ 6% p.a upto FY 2013-14 (i.e. for initial complete ten tariff years) and as per the Clause 8.7.2 of PPA and from FY 2014-15 onwards the O&M expenses are escalated as per schedule XI of PPA.
- 3.9 The Petitioner has also submitted that the O&M expenses claimed in the Petition for FY 2011-12, FY 2012-13 and FY 2013-14 were higher as compared to O&M expenses allowed in the Commission's Order dated 06.09.2012 on account of additional O&M expenses and service tax thereon paid to SJVNL. The details of additional O&M expenses & service tax thereon paid to SJVNL were also submitted by the Petitioner.

Commission's View:

- 3.10 The Commission noted that the Petitioner had not initially claimed the O&M expenses for Third Control Period as prescribed in the PPA and had subsequently submitted the revised O&M expenses after the observation of the Commission. The objection of the HPSEBL pertains to the original submission of the Petitioner as copy of submission of the revised O&M expenses was not provided by the Petitioner to the HPSEBL.
- 3.11 With respect to the higher O&M expenses claimed by the Petitioner for the FY 2011-12 to FY 2013-14, the Commission shall undertake the true-up for the Second Control Period i.e. FY 2011-12 to FY 2013-14 after the end of the Control Period on availability of the audited accounts.

Interest on Working Capital

Stakeholder's Submission

- 3.12 The computation of interest on working capital for the financial years FY 2011-12, FY 2012-13 and FY 2013-14, respectively filed by the Petitioner differs from the Commission's approval of interest on working capital as specified in MYT Order dated 06.09.2012. The Petitioner may be directed to make computations of interest on working capital as approved by the Commission in its Order dated 06-09-2012.

Petitioner's Response

- 3.13 The Petitioner has submitted that interest on working capital has been claimed as per the provisions of the PPA. Interest on working capital in the Petition for FY 2011-12, FY 2012-13 and FY 2013-14 is higher as compared to that approved by the Commission in the Order dated 06.09.2012 due to inclusion of incentive for higher Plant Availability, incentive for Secondary Energy and part of tax on income while computing the working capital requirement.

Commission's View:

- 3.14 The Commission would like to reiterate that the true-up of the O&M expenses for the Second Control Period i.e. for FY 2011-12 to FY 2013-14 has not been considered in this Order and shall be taken up separately after the end of the Control Period based on the audited accounts.

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

Stakeholder's Submission

- 3.15 The figures provided in the ARR and the corresponding figures in the P&L statements do not match. The Petitioner should be directed to provide the details and reconciliation statements matching the figures in the ARR with those in the Balance Sheet and P&L statements provided in the audited accounts.

Petitioner's Response

- 3.16 The Petitioner submitted that the detailed computation and comparison of the tariff for the FY 2011-12 and FY 2012-13 for revenue from sale of power and revenue claimed in the ARR and Profit & Loss Account were submitted to the Commission vide M.A. dated 28th February, 2014.

Commission's View:

- 3.17 The Commission had raised the issue of reconciliation of P&L statement and corresponding figures submitted in ARR during the TVS held with the Petitioner. The Petitioner has thereafter submitted the reconciliation statement in the additional information/ clarifications.

Reconciliation Statement

Stakeholder's Submission

- 3.18 The Petitioner has not reconciled the statement given to it by the HPSEBL without which the revenue from sale of power in the profit and loss statements of the Petitioner for the FY 2011-12, FY 2012-13 & FY 2013-14 could not be authenticated. The Petitioner should be directed to provide a reconciliation statement in this regard.
- 3.19 Further, the data submitted by M/s JPVL for computation of the incentives for higher plant availability and secondary energy for FY 2011-12 and FY 2012-13 for intents and purposes, be treated as provisional till the submission of reconciled data by M/S JPVL. HPSEBL also stated that the necessary credit on account of annual adjustments towards secondary energy is required to be passed on to the HPSEBL for settlement of accounts. In absence of such information, it will affect the tariff proposed by M/s JPVNL.

Petitioner's Response

- 3.20 The Petitioner submitted that the reconciliation statements in respect of payments made by HPSEBL in FY 2011-12 and FY 2012-13 had been submitted to HPSEBL.

Commission's View:

- 3.21 The Commission feels that the issue highlighted by the objector pertains to the Second Control Period. The true-up of ARR and revenue for the Second Control Period shall be taken up separately after the end of the Control Period based on the audited accounts.

Generation data for FY 2013-14

- 3.22 **Stakeholder's Submission** The Commission is requested to procure generation data for the FY 2013-14 from the Petitioner.

Petitioner's Response

- 3.23 The Petitioner has submitted that it has delivered net saleable energy of 1,145.31 MUs against the net saleable design energy of 1012.19 MUs for the period from 1st April 2013 to 28th February 2014.

Commission's View:

- 3.24 In the current Petition, the Commission has not considered any incentive on secondary energy and plant availability for the Second Control Period and the same shall be taken up at the time of true-up exercise.

Forex Fluctuation

Stakeholder's Submission

- 3.25 The Petitioner may be directed to submit the documentary evidence for claiming forex fluctuations.

Petitioner's Response

- 3.26 The Petitioner claimed that it has already submitted the documentary evidence against its claim for forex fluctuations.

Commission's View:

- 3.27 The Commission shall consider any fluctuations in the foreign exchange rates at the time of true-up for the respective year based on the supporting documents.

ICF payment to SJVNL

Stakeholder's Submission

- 3.28 The Petitioner may be directed to submit documentary evidence for claiming an amount of Rs 3.33 crores payment towards ICF to the SJVNL.

Petitioner's Response

- 3.29 The Petitioner has responded that it has submitted the documentary evidence against its claim for payments made to the SJVNL in respect of the ICF.

Commission's View:

- 3.30 The Commission has undertaken necessary prudence check of the various documents submitted by the Petitioner towards the additional capitalization of the ICF.

Additional cost paid to M/S SJVNL on a/c of ICF facilities

Stakeholder's Submission

- 3.31 The cost of compensation along with overhead charges paid by M/s JPVL to the SJVNL may be considered excluding the any delayed payment interest expense which should be borne by M/s JPVL or the SJVNL.

Petitioner's Response

- 3.32 The Petitioner stated that SJVNL has raised the 6th provisional bill vide its letter dated 07.01.2011 and the Petitioner had requested the SJVNL to provide the details/clarifications on the said bill for cost of ICF vide its letter dated 04.02.2011 and also requested the SJVNL to raise the final bill along with the current bill. The SJVNL furnished the clarifications vide its letter dated 3rd May 2013 and only after receiving the details and verification of the bills, the payment was released to the SJVNL. Therefore, the delay has been on account of the SJVNL.

Commission's View:

- 3.33 The Commission has not approved any interest accrued on the original amount of the bill of Rs. 2.57 crores raised by SJVNL attributed to delay in making the payment by the Petitioner. The Commission has considered the additional expenditure towards ICF in the FY 2010-11 as per the date of the invoice for '6th provisional bill towards the ICF'.

Reimbursement of additional O&M expenses and Service Tax on O&M Charges paid to SJVNL.

Stakeholder's Submission

- 3.34 The Petitioner has only submitted letters enclosing the copies of the cheques of service tax/ O&M charges paid, but no acknowledgements/ receipts by the SJVNL in token of payment received were submitted. Further, the payment proofs for few months have not been provided by the Petitioner.
- 3.35 The Petitioner's claim of additional O&M expenses and service tax thereon for the FY 2012-13 to FY 2018-19 is unjustified as the scope of the Review Petition was limited up

to FY 2011-12 only. Therefore, the Commission should not consider the Petitioner's claim for this period.

Petitioner's Response

- 3.36 The Petitioner has submitted that the additional O&M charges and the service tax thereon to be recovered in the tariff were on the cost of Rs 64.67 Crs as approved by the Commission. The Petitioner has also submitted the proof of payments for the period which were missing in its earlier submission.
- 3.37 On the future claims, the Petitioner has submitted that O&M expenses and service tax thereon allowed by the Commission are not restricted to a particular period, and the same are applicable for the term of the PPA with the HPSEBL. The levy of service tax is due to a change in law and is not restricted to a particular period.

Commission's View:

- 3.38 The Commission has undertaken necessary due diligence of the payment proofs submitted by the Petitioner and feels that there is no further requirement for any acknowledgement proof. However, the HPSEBL may requisition the same from Petitioner and the Petitioner is directed to make available the same to the HPSEBL for its records and verification.
- 3.39 The Commission had settled the issue regarding claim of additional O&M expenses and service tax thereon in its previous Orders and finds it just to approve the same for the Third Control Period.

Interest and Carrying Cost on the Reimbursement of Additional O&M Expenses and Service Tax on O&M Charges Paid to the SJVNL.

Stakeholder's Submission

- 3.40 The Petitioner has also included the interest component on service tax which had to be paid by the Petitioner on account of its own faults, which is neither payable nor the Petitioner is entitled to such claim. The HPSEBL has also objected to any carrying cost to be paid on the amount reimbursed to the SJVNL on account of additional O&M expenses and service tax.

Petitioner's Response

- 3.41 The Petitioner has submitted that it is entitled for the interest component as there has been a delay in payment. The Petitioner has not clarified on the issue of carrying cost.

Commission's View:

- 3.42 The Commission has approved the capital cost towards ICF payable to the SJVNL and has not considered any interest amount on account of delay in payment. The Commission has however allowed appropriate carrying cost towards delay in recovery

of the additional O&M charges and service tax payable by the Petitioner to SJVNL. The details of the same are covered in Chapter 4 of this Order.

4. ANALYSIS OF THE TARIFF PETITION

Introduction

- 4.1 This Chapter deals with the analysis of the Petition filed by the Petitioner for the Third Control Period i.e. FY 2014-15 to FY 2018-19 for determination of tariff for sale of energy from BASPA II HEP to the HPSEBL.
- 4.2 The Commission has finalized this Order based on the analysis and prudence check of the tariff Petition filed by the Petitioner, information submissions, clarifications and replies to the queries submitted by the Petitioner, objections/suggestions raised by stakeholders during the public hearing and response submitted by the Petitioner thereon and after giving due consideration to the Power Purchase Agreement signed between the Petitioner and the HPSEBL. The following sections contain the detailed analysis of various components of tariff, based on the various submissions of the Petitioner.

Computation of Tariff

- 4.3 As per the PPA, the tariff for 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; and
 - (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; and
- (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 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% (after excluding 12% free energy to the Government of Himachal Pradesh) 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 in accordance with the PPA as shown below:-

Table 3: 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%

Particular	Unit	
Share of Available Power	%	88.00%
Net Saleable Energy	MU	1050.06

Energy Generation for MYT Period (FY 2014-15 to FY 2018-19)

- 4.11 As per the Petition, BASPA-II HEP is projected to generate 1050.06 MUs of primary energy and 77.50 MUs of secondary energy during each year of the Control Period. The plant is projected to maintain availability of 98% as against normative availability of 90% during the Control Period.
- 4.12 The Commission has considered the generation of primary energy as 1050.06 MUs for each year of the Control Period from FY 2014-15 to FY 2018-19. The Secondary Energy has been considered as Nil; and, the Plant availability has been considered at normative availability of 90% for the Control Period. The same shall be trued-up at the end of Control Period as per actual plant availability and actual generation of secondary energy.

Table 4: Energy Generation approved by the Commission for MYT period

Particulars	FY 15	FY 16	FY 17	FY 18	FY 19
	Approved	Approved	Approved	Approved	Approved
Generation of Energy (MUs)					
Primary Energy	1050.06	1050.06	1050.06	1050.06	1050.06
Secondary Energy	0	0	0	0	0
Total Energy	1050.06	1050.06	1050.06	1050.06	1050.06
Plant Availability (%)					
Normative	90%	90%	90%	90%	90%
Projected	98%	98%	98%	98%	98%
Approved	90%	90%	90%	90%	90%

Additional Capital Cost

- 4.13 The Petitioner has not envisaged any capital expenditure during the Third Control Period. The Petitioner has, however, claimed an additional cost of Rs. 3,32,61,104/- towards ICF paid to the SJVNL in its 6th provisional bill for previously unbilled items and has requested the Commission to allow the same in Tariff.
- 4.14 The CEA vide its letter dated 21st July 2003 had approved the total cost of ICF as on 10.05.2003 at Rs.62.87 Crores excluding the works which were yet to be executed. The Commission vide its Order dated 24.02.2007 approved the total capital cost of

Rs.1533.96 crores for BASPA-II hydroelectric plant including the cost of the ICF set up by SJVNL at Rs. 62.87 crores.

- 4.15 Further, in its Order dated 7th February, 2008 on review of capital cost and tariff for Baspa HEP, the Commission had stated:

“3.3.2 The Commission has already made its position clear on this issue in para 4.8 of the Tariff Order. The Commission would take a view on any further capital expenditure incurred on the interconnection facility on its merits, in subsequent tariff proceedings.”

- 4.16 The Commission has therefore carried out necessary prudence checks and due diligence of the expenditure claimed by the Petitioner towards 6th provisional invoice for ICF. The Commission deduced that the original bill raised by the SJVNL against share of cost component of pot head yard at Jhakri was Rs 2.57 Crore including Rs. 1.94 Crore share of cost component, Rs 37 lakhs as interest during construction and Rs 24 lakhs towards overhead charges. The rest of the amount claimed is on account of the interest accrued due to delay in payment made to the SJVNL by the Petitioner. The original bill was raised on dated 7th January, 2011. The Commission accordingly approves the amount of Rs. 2.57 Crore towards the cost of the ICF work as an additional capital cost which shall be added to the total project cost during the FY 2010-11. The Commission has considered the normative debt-equity ratio of 70:30 for funding of the additional capitalization in terms of Regulation 16(c) of the HPERC (Terms and Conditions for Determination of Hydro Generation Tariff) Regulations, 2011, as detailed in the table below:

Table 5: Additional Capitalization and Funding approved by the Commission

Particulars	Amount (in Rs. Cr.)
Capital Cost	
Additional Capitalization	2.57
Means of Finance	
Normative Loan (70%of additional capitalization)	1.80
Additional Equity (30%of additional capitalization)	0.77

Table 6: Revised Capital Structure of the BASPA-II HEP approved by the Commission

Particulars	Capital cost in the FY 2009-10 (Approved as per True-up Order) (in Rs. Cr.)	Additional Capitalization during FY 2010-11 (in Rs. Cr.)	Closing Capital cost in the FY 2010-11 (in Rs. Cr.)
Capital Cost			
Capital Cost of Project	1629.84	2.57	1632.41
Means of Finance			
Opening Equity	488.95	0.77	489.72
Debt (Gross)	1140.89	1.80	1142.69
Total	1629.84	2.57	1632.41

Interest on Loans

- 4.17 The Petitioner has computed interest on domestic loans based on the outstanding balances approved by the Commission in the previous Order. However, the opening loan balances for the foreign loan considered by the Petitioner did not match with the closing loan balances approved by the Commission in the previous Order. In one of its replies to the queries raised by the Commission in this regard, the Petitioner resubmitted the foreign loan balances.

Domestic Loans

- 4.18 In the MYT Order dated 15th July, 2011, the Petitioner had submitted restructuring of its existing loans and had claimed interest cost based on the restructured loans. In absence of any request from the Petitioner seeking approval for loan restructuring, the Commission had observed the following:

“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.”

- 4.19 For the third Control period as well, the Petitioner has not provided any additional details regarding the restructured loans and instead has considered the closing loan balances approved by the Commission for the Second Control Period.

- 4.20 In absence of details regarding the new loans, the Commission has continued with the similar methodology as adopted during the previous MYT Order and has considered the approved closing loan balances.
- 4.21 The domestic loans and interest rates approved by the Commission are detailed in the following paragraphs.

IDBI Loan

- 4.22 For the MYT period FY 2014-15 to FY 2018-19, the Commission has considered interest rate of 10.50% and repayment of Rs. 7.72 Crore as considered in the previous Order. The interest charges approved for the Control Period are tabulated below:

Table 7: IDBI loan repayment and Interest approved for the Control period (Rs Crs)

Particulars	FY 15	FY 16	FY 17	FY 18	FY 19
	Approved	Approved	Approved	Approved	Approved
Opening balance	15.45	7.72	-	-	-
Addition	0.00	0.00	-	-	-
Principal Repayment	7.72	7.72	-	-	-
Closing Balance	7.72	0.00	-	-	-
Approved Interest	1.12	0.30	-	-	-

Power Finance Corporation Loan

- 4.23 The Commission has considered an interest rate of 13.15% applicable on PFC loans similar to the interest rate approved in the previous Order and also submitted by the Petitioner. The balance amount of Rs 12.75 Cr has been considered to be repaid during the first year of the Third Control Period.

Table 8: PFC Loan repayment and Interest approved for the Control period (Rs Crs)

Particulars	FY 15	FY 16	FY 17	FY 18	FY 19
	Approved	Approved	Approved	Approved	Approved
Opening balance	12.75	-	-	-	-
Addition	0	-	-	-	-
Principal Repayment	12.75	-	-	-	-
Closing Balance	0	-	-	-	-
Approved Interest	0.62	-	-	-	-

IFCI Debentures/ UTI Bank Loan/ Axis Bank Loan

- 4.24 For the MYT Period (FY 2014-15 to FY 2018-19), 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 previous Order. The loan balance and interest rate approved for IFCI debentures is as given in the table below:-

Table 9: IFCI Loan Repayment and Interest approved for the Control period (Rs Crs)

Particulars	FY 15	FY 16	FY 17	FY 18	FY 19
	Approved	Approved	Approved	Approved	Approved
Opening balance	34.06	17.03	-	-	-
Addition	-	-	-	-	-
Principal Repayment	17.03	17.03	-	-	-
Closing Balance	17.03	0.00	-	-	-
Approved Interest	2.41	0.70	-	-	-

IIBI Loan

4.25 The Commission has approved 10.50% rate of interest on Loan from IIBI, as considered by it in the previous Order. The approved repayment and interest for IIBI loan is depicted in the table below:

Table 10: IIBI Loan Repayment and Interest approved for the Control period (Rs Crs)

Particulars	FY 15	FY 16	FY 17	FY 18	FY 19
	Approved	Approved	Approved	Approved	Approved
Opening balance	3.41	2.28	1.14	-	-
Addition	0.0	0.0	0.0	-	-
Principal Repayment	1.14	1.14	1.14	-	-
Closing Balance	2.28	1.14	0.00	-	-
Approved Interest	0.28	0.16	0.04	-	-

LIC Loan

4.26 The Commission has approved 10.50% rate of interest on Loan from LIC, as was considered by it in the previous Order. The approved repayment and interest for LIC loan is given in the table below:

Table 11: LIC Loan Repayment and Interest approved for the Control period (Rs Crs)

Particulars	FY 15	FY 16	FY 17	FY 18	FY 19
	Approved	Approved	Approved	Approved	Approved
Opening balance	3.75	2.25	-	-	-
Addition	0	0	-	-	-
Principal Repayment	1.50	2.25	-	-	-
Closing Balance	2.25	0.00	-	-	-
Approved Interest	0.29	0.09	-	-	-

Bank of Baroda Loan

4.27 The Commission has considered 11.75% rate of interest on the loan balance from Bank of Baroda. The repayment of Bank of Baroda loan was for 11 years instead of 12 years as considered in the previous Order. The Commission, therefore,

considered repayment of Rs. 5.00 Cr. and Rs. 7.50 Cr. as repayment for FY 2014-15 and FY 2015-16, respectively for closure of the loan within 11 years. The approved repayment and interest for Bank of Baroda loan is given in the table below:

Table 12: Bank of Baroda Loan Repayment and Interest approved for the Control period (Rs Crs)

Particulars	FY 15	FY 16	FY 17	FY 18	FY 19
	Approved	Approved	Approved	Approved	Approved
Opening balance	12.50	7.50	-	-	-
Addition	0.00	0.00	-	-	-
Principal Repayment	5.00	7.50	-	-	-
Closing Balance	7.50	0	-	-	-
Approved Interest	1.12	0.36	-	-	-

Punjab National Bank Loan

4.28 The Commission has approved 10.50% rate of interest on loan from Punjab National Bank, as was also considered in the previous Order. The approved repayment and interest for Punjab National bank loan is given in the table below:

Table 13: PNB Loan Repayment and Interest approved for the Control period (Rs Crs)

Particulars	FY 15	FY 16	FY 17	FY 18	FY 19
	Approved	Approved	Approved	Approved	Approved
Opening balance	8.98	4.49	-	-	-
Addition	0	0	-	-	-
Principal Repayment	4.49	4.49	-	-	-
Closing Balance	4.49	0.00	-	-	-
Approved Interest	0.67	0.20	-	-	-

Indian Overseas Bank Loan

4.29 The Commission has approved 10.50% rate of interest on Loan from Indian Overseas bank, as was considered in the previous MYT Order. The approved repayment and interest for Indian Overseas bank loan is given in the table below :-

Table 14: IOB Loan Repayment and Interest approved for the Control period (Rs Crs)

Particulars	FY 15	FY 16	FY 17	FY 18	FY 19
	Approved	Approved	Approved	Approved	Approved
Opening balance	9.09	4.55	-	-	-
Addition	0.00	0.00	-	-	-
Principal Repayment	4.55	4.55	-	-	-
Closing Balance	4.55	0.00	-	-	-
Approved Interest	0.68	0.20	-	-	-

State Bank of Indore Loan

- 4.30 The Commission has approved 10.50% rate of interest on Loan from State Bank of Indore, as was considered in the previous Order. The approved repayment and interest for State Bank of Indore bank loan is given in the table below :-

Table 15: SBoI Loan Repayment and Interest approved for the Control period (Rs Crs)

Particulars	FY 15	FY 16	FY 17	FY 18	FY 19
	Approved	Approved	Approved	Approved	Approved
Opening balance	3.82	1.91	-	-	-
Addition	0	0	-	-	-
Principal Repayment	1.91	1.91	-	-	-
Closing Balance	1.91	0.00	-	-	-
Approved Interest	0.28	0.08	-	-	-

State Bank of Hyderabad Loan

- 4.31 The Commission has approved 11.75% rate of interest on loan from State Bank of Hyderabad, as was considered in the previous Order. The approved repayment and interest for State Bank of Hyderabad bank loan is given in the table below:

Table 16: SBoH Loan Repayment and Interest approved for the Control period (Rs Crs)

Particulars	FY 15	FY 16	FY 17	FY 18	FY 19
	Approved	Approved	Approved	Approved	Approved
Opening balance	4.00	2.00	-	-	-
Addition	0	0	-	-	-
Principal Repayment	2.0	2.0	-	-	-
Closing Balance	2.00	0.00	-	-	-
Approved Interest	0.33	0.10	-	-	-

IDBI Loan (New)

- 4.32 In the previous Order, 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 repayment installments spanning over 8 years. The Commission has continued with the annual repayment of Rs. 12.50 Crs. and interest rate of 11.50% approved for IDBI loan in previous MYT Order and computed the interest and repayment for the Third Control Period as given in the table below :-

Table 17: IDBI (New) Loan Repayment and Interest approved for the Control period (Rs Crs)

Particulars	FY 15	FY 16	FY 17	FY 18	FY 19
	Approved	Approved	Approved	Approved	Approved
Opening balance	25.00	12.50	-	-	-

Particulars	FY 15	FY 16	FY 17	FY 18	FY 19
	Approved	Approved	Approved	Approved	Approved
Addition	0	0	-	-	-
Principal Repayment	12.50	12.50	-	-	-
Closing Balance	12.50	0.00	-	-	-
Approved Interest	1.98	0.54	-	-	-

IFCI Loan (New)

- 4.33 In the previous Order, the Commission had approved fresh loan of Rs 47.82 Crores from IFCI bank 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 repayment installments spanning over 8 years. The Commission has continued with the annual repayment of Rs. 5.98 Crs. and interest rate of 11.50% approved for IFCI loan in the previous MYT Order and has computed the interest and repayment as given in the table below:

Table 18: IFCI (New) Loan Repayment and Interest approved for the Control period (Rs Crs)

Particulars	FY 15	FY 16	FY 17	FY 18	FY 19
	Approved	Approved	Approved	Approved	Approved
Opening balance	11.96	5.98	-	-	-
Addition	0	0	-	-	-
Principal Repayment	5.98	5.98	-	-	-
Closing Balance	5.98	0.00	-	-	-
Approved Interest	0.97	0.28	-	-	-

Normative Loan-1

- 4.34 The Commission had approved a normative loan of Rs. 41.37 Crore in the True-up Order dated 23rd April 2012 for meeting the debt requirement for additional capitalization. Tenure of 11 years with 4 quarterly repayments was considered against the normative loan. Annual weighted average rate of interest on approved rupee term loan was considered as the interest rate against this normative loan.
- 4.35 The Commission has continued with the terms and conditions approved in the True-up Order dated 23rd April 2012, for this normative loan and now approves interest and repayment on normative loan-1 as given in the table below:

Table 19: Normative Loan-1 Repayment and Interest approved for the Control period (Rs Crs)

Particulars	FY 15	FY 16	FY 17	FY 18	FY 19
	Approved	Approved	Approved	Approved	Approved
Opening balance	15.04	11.28	7.52	3.76	0.00
Addition	-	-	-	-	-
Principal Repayment	3.76	3.76	3.76	3.76	0.00
Closing Balance	11.28	7.52	3.76	0.00	0.00
Approved Interest	1.48	1.05	0.60	0.16	-

Normative Loan-2

- 4.36 The Commission has considered normative Debt-Equity of 70:30 against the approved amount of Rs. 2.57 Crore towards additional cost of ICF paid by the Petitioner as detailed in para 4.16.
- 4.37 Normative loan of Rs 1.80 Crore (corresponding to 70% of the approved additional capitalization) for the ICF expenditure has been considered. The Commission has considered similar terms and interest rate as approved for Normative Loan-1. The approved interest cost and repayment on the Normative Loan -2 for Third Control Period is given in the table below:

Table 20: Normative Loan-2 Repayment and Interest approved for the Control period (Rs Crs)

Particulars	FY 15	FY 16	FY 17	FY 18	FY 19
	Approved	Approved	Approved	Approved	Approved
Opening balance	1.22	1.04	0.86	0.68	0.50
Addition					
Principal Repayment	0.18	0.18	0.18	0.18	0.18
Closing Balance	1.04	0.86	0.68	0.50	0.32
Approved Interest	0.12	0.10	0.08	0.06	0.04

- 4.38 The interest for FY 2010-11 for the approved normative loan of Rs. 1.80 Cr. has been accounted separately as one time amount in this Tariff Order (refer para 4.91). The Commission shall consider the interest on the normative loan for the period FY 2011-12 to FY 2013-14 at the time of true-up for the Second Control Period.

Foreign Currency Loans

- 4.39 The Commission notes that unlike domestic loans, the Petitioner has submitted the actual loans existing for claiming interest on foreign currency loans. The Petitioner has existing foreign currency loans from following lenders:
- Crédit Lyonnais (Now Crédit Agricole)
 - HypoVereinsbank (Now a division of Unicredit Bank)
 - VA Tech Finance (Loan taken over by Siemens financials)
 - IDBI
- 4.40 The Commission observed various discrepancies in the submission of interest on foreign currency loans submitted by the Petitioner. The Commission sent various written queries regarding the same and based on the replies filed by the Petitioner, the Commission has approved the interest on foreign currency loans herewith.

Crédit Agricole (earlier Crédit Lyonnais)

- 4.41 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 is 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. The Commission has determined the interest charges on the loan at the rate of 7.42% for the 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 (12.36%) on PGC.
- 4.42 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 on 28th March 2014 i.e. Rs. 60.10/- per 1 USD for entire control period.
- 4.43 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 21: Crédit Agricole Repayment and Interest approved for the Control period

Particulars	FY 15	FY 16	FY 17	FY 18	FY 19
	Approved	Approved	Approved	Approved	Approved
Opening Balance (US \$ Mn)	2.23	0.74	-	-	-
Principal Repayment (US \$ Mn)	1.49	0.74	-	-	-
Closing Balance (US \$ Mn)	0.74	0	-	-	-
Interest Payment (US\$ Mn)	0.14	0.03	-	-	--
Equivalent Rupee					
Opening Balance (Rs Cr)	13.41	4.47	-	-	-
Principal Repayment (Rs Cr)	8.94	4.47	-	-	-
Closing Balance (Rs Cr)	4.47	0	-	-	-
Interest Payment (Rs Cr)	0.83	0.17	-	-	-

HypoVereinsbank (Unicredit Bank)

- 4.44 As per the loan documents submitted by the Petitioner, the sanctioned loan amount from Hypovereinsbank is for US \$11.98 Mn with a floating interest rate pegged to LIBOR valid from time to time for periods of 6 month. The Commission has considered the cumulative loan amount drawn from the bank as US \$11.31 Mn. The tenure of the loan is 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, 1.60% PGC on PFC Guarantee and applicable service tax on PGC. The 6 month Libor rate for the period 25th July 2013 to 27th January 2014, 186 days, was fixed at 0.3965% as per the demand note from lender submitted by the Petitioner. The Commission has, provisionally, considered

the same Libor rate for entire period for computing the interest on the Hypovereinsbank foreign currency loan.

- 4.45 The interest payments and the repayments have been calculated in USD terms and then converted to equivalent rupee terms by applying the foreign exchange conversion rate as on 28th March 2014 i.e. Rs. 60.10/- per 1 USD for entire control period. The same conversion rate is considered provisionally for the entire Control Period which is subject to true-up.

Table 22: Hypovereinsbank Repayment and Interest approved for the Control period

Particulars	FY 15	FY 16	FY 17	FY 18	FY 19
	Approved	Approved	Approved	Approved	Approved
Opening Balance (US \$ Mn)	.94	-	-	-	-
Principal Repayment (US \$ Mn)	.94	-	-	-	-
Closing Balance (US \$ Mn)	0	-	-	-	-
Interest Payment (US\$ Mn)	.017	-	-	-	--
Equivalent Rupee					
Opening Balance (Rs Cr)	5.66	-	-	-	-
Principal Repayment (Rs Cr)	5.66	-	-	-	-
Closing Balance (Rs Cr)	0	-	-	-	-
Interest Payment (Rs Cr)	.11	-	-	-	-

Siemens financials (Loan taken over from VA Tech Finance)

- 4.46 As per the loan documents submitted by the Petitioner, the sanctioned loan amount from VA tech finance 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 Commission has considered the cumulative loan amount drawn from the bank as US \$11.48 Mn. The tenure of the loan is 12 years with semi-annual repayments. The payment against the loan has been guaranteed by the 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 VA Tech Finance, 1.60% PGC on PFC Guarantee and applicable service tax on PGC. The 6 months Libor rate for the period 25th July 2013 to 27th January 2014, 186 days, was fixed at .3965% as per the demand note from lender submitted by the Petitioner. The Commission has, provisionally, considered the same Libor rare for entire remaining period for the VA Tech Finance foreign currency loan.
- 4.47 The interest payments and the repayments have been calculated in US dollar terms and then converted to equivalent rupee terms by applying the foreign exchange conversion rate as on 28th March 2014 i.e. Rs. 60.10/- per 1 USD. The same conversion rate is considered provisionally for the entire Control Period which shall be trued-up at the end of the Control Period.

Table 23: VA tech finance Repayment and Interest approved for the Control period

Particulars	FY 15	FY 16	FY 17	FY 18	FY 19
-------------	-------	-------	-------	-------	-------

	Approved	Approved	Approved	Approved	Approved
Opening Balance (US \$ Mn)	.96	-	-	-	-
Principal Repayment (US \$ Mn)	.96	-	-	-	-
Closing Balance (US \$ Mn)	0	-	-	-	-
Interest Payment (US\$ Mn)	.02	-	-	-	--
Equivalent Rupee					
Opening Balance (Rs Cr)	5.75	-	-	-	-
Principal Repayment (Rs Cr)	5.75	-	-	-	-
Closing Balance (Rs Cr)	0	-	-	-	-
Interest Payment (Rs Cr)	.11	-	-	-	-

IDBI Foreign Currency Loan

4.48 As per the loan documents submitted by the Petitioner, the sanctioned loan amount from IDBI is for US \$4.76 Mn with a floating interest rate pegged to LIBOR valid from time to time for a period of 3 months. The Commission has considered the cumulative loan amount drawn from the bank as US \$2.62 Mn. The tenure of the loan is 11 years with 1 year moratorium period and quarterly repayments. The Commission had determined the interest charges on the loan at 4.5% margin over the 3 month LIBOR for US \$. The Petitioner has now submitted that IDBI has changed the margin from 4.5% to 5.1% from 1st October 2012. The Commission has computed interest on outstanding loan at 3 month LIBOR plus margin rate charged by IDBI Bank. The 3 month Libor rate for the latest 3 month payment period of Oct 2013 to Jan 2014 is 0.2489% as per the documents from the lender submitted by the Petitioner. The Commission has, provisionally, considered the same Libor rate for approving the interest cost for the IDBI foreign currency loan.

4.49 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 as on 28th March 2014 i.e. Rs. 60.10/- per 1 USD. The same conversion rate is considered provisionally for the entire Control Period which shall be trued-up at the end of the Control Period.

Table 24: IDBI Repayment and Interest approved for the Control period

Particulars	FY 15	FY 16	FY 17	FY 18	FY 19
	Approved	Approved	Approved	Approved	Approved
Opening Balance (US \$ Mn)	0.065	-	-	-	-
Principal Repayment (US \$ Mn)	0.065	-	-	-	-
Closing Balance (US \$ Mn)	0	-	-	-	-
Interest Payment (US\$ Mn)	0.000436	-	-	-	--
Equivalent Rupee					
Opening Balance (Rs Cr)	0.39	-	-	-	-
Principal Repayment (Rs Cr)	0.39	-	-	-	-
Closing Balance (Rs Cr)	0	-	-	-	-
Interest Payment (Rs Cr)	0.003	-	-	-	-

4.50 The principal repayment and interest approved by the Commission for domestic and foreign currency loans is summarized in the Table below :

Table 25: Total Repayment and Interest Approved for the Control period (Rs Crs)

Particulars	FY 15	FY 16	FY 17	FY 18	FY 19
	Approved	Approved	Approved	Approved	Approved
Indian Currency Loans					
Total Repayment	80.50	71.00	5.08	3.94	0.18
Total Interest Approved	12.34	4.15	0.71	0.21	0.03
Foreign Currency Loans					
Total Repayment	20.75	4.47	0.00	0.00	0.00
Total Interest Approved	1.05	0.17	0.00	0.00	0.00
Total ICL+FCL					
Total Repayment	101.91	75.59	5.08	3.94	0.18
Total Interest Approved	13.42	4.33	0.71	0.21	0.03

Depreciation and Advance against Depreciation

4.51 The Commission has projected the depreciation and advance against depreciation for the third Control Period from FY 2014-15 to FY 2018-19 as per Clause 8.6.5.1 of the PPA. The amount to be charged against depreciation and AAD during the Control Period as per the loan repayment approved is detailed below:

Table 26: Approved Depreciation and Advance Against Depreciation for the Control Period (Rs Crs)

Particulars		FY 15	FY 16	FY 17	FY 18	FY 19
		Approved	Approved	Approved	Approved	Approved
1/12th of the Loans	A	95.22	95.22	95.22	95.22	95.22
Repayment of the Loans	B	101.25	75.48	5.08	3.94	0.18
Minimum of the Above	C	95.22	75.59	5.08	3.94	0.18
Less: Depreciation during the year	D	70.19	70.19	70.19	70.19	70.19
A	E= C-D	25.03	5.28	(65.12)	(66.25)	(70.01)
Cumulative Repayment of the Loan	F	1073.73	1149.20	1154.28	1158.22	1158.40
Less: Cumulative Depreciation	G	1022.52	1117.74	1193.22	1198.30	1202.24
B	H= F-G	51.21	31.46	0.00	0.00	0.00
Advance Against Depreciation		25.03	5.28	(65.12)	(66.25)	(70.01)
Depreciation + AAD		95.22	75.48	5.08	3.94	0.18

Operations and Maintenance (O&M) Expenses

4.52 The Commission has been computing 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”

4.53 The initial tariff year as defined in the PPA is as follows:

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

4.54 The COD of the last unit of the project is 8 June 2003, and the initial tariff year is FY 2004-05 commencing from 1 April, 2004 and ending on 31 March, 2005. Hence, the escalation is applicable from FY 2005-06. The Third Control Period covers tariff for FY 2014-15 to FY 2018-19. The Commission notes that first year of the Control Period is 11th year since COD and the O&M expenses for the 11th year onwards would be calculated as per the formula given in the Schedule XI.

4.55 The Part B of the Schedule XI of the PPA which deals with escalation in O&M charges reads as under:

“The rate of Escalation in operation and maintenance charges shall be worked out for each tariff year after the expiry of first ten year, as per the following formula in terms of section 8.7.2

$$\text{Percentage rate of annual escalation} = \left(0.3 \times \frac{W_1 - W_0}{W_0} + 0.7 \times \frac{L_1 - L_0}{L_0}\right) \times 100\%$$

Where

$W_1 =$ Index Number of wholesale prices in India (All Commodities) (1981-82 = 100) , as published by reserve bank of India (R.B.I) , for the month of march of the financial year for which annual escalation to be worked out

$W_0 =$ Index Number of wholesale prices in India (All Commodities) (1981-82 = 100) , as published by reserve bank of India (R.B.I) , for the month of march immediately preceding the financial year for which annual escalation is to be determined

$L_1 =$ Consumer price index for Industrial Workers (All India) (1981-82 = 100), as published by reserve bank of India (R.B.I) , for the month of march of the financial year for which annual escalation to be worked out

$L_0 =$ Consumer price index for Industrial Workers (All India) (1981-82 = 100), as published by reserve bank of India (R.B.I) , for the month of march immediately preceding the financial year for which annual escalation is to be determined

Note: i) Pending determination of annual rate of escalation for such tariff years for which annual escalation is to be allowed on actual basis as per section 8.7.2 on the basis of above formula, the rate of escalation worked out for the 12 months period ending on last day of the month of December immediately preceding the relevant tariff year on similar basis shall be adopted on provisional basis for purpose of section 8.14. Final adjustment on this account shall be made as soon as the published indices for the month of March of that tariff year become available.”

- 4.56 The Petitioner had considered an escalation rate of 6% for projection of O&M expenses for the third Control Period in line with the methodology approved by the Commission in the previous Orders. Based on the queries raised by the Commission for submission of O&M expense as per the provisions of the PPA, the Petitioner submitted revised O&M expenses considering the CPI and WPI indices as stipulated in the PPA.
- 4.57 As per the provision of PPA, the CPI and WPI index to be considered for computation of escalation rate should be of 1981-82 series as published by the RBI. However, it is observed that the 1981-82 series of CPI and WPI indices have been discontinued. Therefore, the Commission has considered the 2004-05 series of Wholesale Price Index (all commodities) and 2010 series of Consumer Price Index (for Industrial workers (All India) as published by the RBI.
- 4.58 Further, the Commission has considered the WPI as well as CPI indices for the month of December as stipulated in the Note-1 of the Schedule X1 of the PPA to arrive at the escalation factor for O&M expenses. The table below summarizes the computation of escalation factor as per the provisions of the PPA:

Table 27: WPI and CPI considered for Third Control Period

WPI (base year 2004-05 =100)	2012-13	2013-14	Increase
December	168.8	179.2	6.16%
CPI Base year 2001=100	2012-13	2013-14	
December	219	239	9.13%
Escalation Factor [30% WPI + 70% CPI]			8.24%

- 4.59 The Commission has applied the escalation factor of 8.24% on the revised O&M expenses determined for FY 2013-14 [as detailed in subsequent paras] for approving the O&M expenses for each year of the third Control Period.

O&M expenses

- 4.60 The Commission has computed the O&M expense as per the provisions of the PPA and the approved capital cost (including additional capitalization as per the

Commission Order dated 24th January, 2011) after excluding the cost of ICF for which the O&M shall be computed as per the agreement with the SJVNL.

- 4.61 The escalation on O&M expense has been considered as 8.24% as detailed in para 4.59 above.

O&M expenses on ICF facility

- 4.62 The Commission vide its Order dated 24.02.2007 approved the capital cost of Rs.1533.96 Crore including the inter connection facility set up by SJVNL at Rs.62.87 Crore. Subsequently, the Commission approved additional ICF facility cost of Rs. 1.80 Cr. as claimed by SJVNL in the Order dated 24th January 2011. Further, the Commission has approved an additional capital cost of Rs. 2.57 Crore towards ICF in para 4.16 of this Order.

- 4.63 In the previous Orders for Baspa II HEP, the Commission has been approving the O&M expenses @ 1.25% of the approved capital cost of the project with an escalation @ 6% as per the provisions of the PPA.

- 4.64 The Petitioner has in its earlier Petition/(s) and submissions has claimed an additional O&M expense of 0.25% on the capital expenditure with regard to the cost of ICF in accordance with the terms of agreement with the SJVNL. In the True-up Order, the Commission had stated the following:

“The Commission, in this order has not considered 0.25% additional O&M expenses being paid by the Petitioner to the SJVNL as per the term of the service agreement signed between the Petitioner and the SJVNL. The Commission shall consider these expenses on submission of documentation in support of the actual payments made by the Petitioner to the SJVNL”

- 4.65 The Petitioner has made a separate filing vide Petition no 142/2013 for payment of additional O&M expenses for inter connection facility for the FY 2003-04 to FY 2013-14. As per the agreement between the Petitioner and the SJVNL for terminating the 400 KV transmission lines from the project at Jhakri Switchyard, in terms of the requirement of the TEC accorded to the project by CEA, the O&M charges for the ICF is payable by the Petitioner to the SJVNL@ 1.5% of the cost of ICF with an escalation of 6% per annum as against the Commission approved O&M charges at 1.25% of capital cost and escalation in accordance with the provisions of the PPA. The Petitioner has stated that it has been making regular payments of O&M charges to the SJVNL in terms of the agreement for the ICF and has accordingly prayed for reimbursement of the additional 0.25% O&M expenses on

the ICF cost with effect from June 2003 along with reasonable carrying cost to be recovered from HPSEBL.

- 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 Second Control Period.
- 4.70 Appropriate carrying cost for the respective years has been considered by the Commission on the additional O&M expense determined for FY 2003-04 to FY 2013-14. Accordingly, a total amount of Rs 2.96 Crore has been approved by the Commission to be included in the ARR for FY 2014-15 i.e. first year of the Third Control Period.

Table 28: Additional O&M expenses approved by the Commission (Rs Crores)

Particulars	FY 04	FY 05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14
O&M Expenses @1.5%	0.79	0.94	1.00	1.06	1.12	1.19	1.28	1.37	0.00	0.00	0.00
O&M Expense approved previously	0.66	0.79	0.83	0.88	0.94	0.99	1.06	1.14	0.00	0.00	0.00
Opening Balance	0.00	0.14	0.31	0.51	0.73	0.99	1.27	1.62	2.06	2.31	2.58
Addition	0.13	0.16	0.17	0.18	0.19	0.20	0.21	0.24	0.00	0.00	0.00

Closing Balance base amount	0.13	0.29	0.48	0.69	0.92	1.19	1.49	1.86	2.06	2.31	2.58
Carrying cost (%)	8%	8%	8%	8%	8%	8%	10%	11.75%	11.75%	13.50%	13.20%
Interest	0.01	0.02	0.03	0.05	0.07	0.09	0.14	0.20	0.24	0.31	.35
Closing Balance of Payment	0.14	0.31	0.51	0.73	0.99	1.27	1.62	2.06	2.31	2.62	2.96

- 4.71 The O&M expense towards the ICF, to be paid to SJVNL, has been computed separately as per the agreement with SJVNL for the purposes of Projections for the third control period and has been included in the total approved O&M expenses for the Third Control Period.

Service Tax on O&M expenses of ICF facility

- 4.72 The Petitioner had also claimed reimbursement of service tax on O&M expense paid to the SJVNL through a separate application dated 20th January 2010. The Petitioner had stated that as per submissions of the SJVNL, service tax audit team from Central Excise, Chandigarh has advised that service tax was liable to be paid on O&M charges for maintenance of ICF. Accordingly, the SJVNL has requested the Petitioner to pay service tax and interest thereon.
- 4.73 The Petitioner has now included the amount of service tax for past years to be passed through in the tariff for Third Control Period in the separate Petition no 142/2013 filed with the Commission. In the petition, the Petitioner has claimed an amount of Rs. 1.39 Crore on account of service tax for the period June 2005 to March 2014. The Petitioner has also prayed for payment of interest on the said amount.
- 4.74 In the Order dated 8th Oct 2013 on the Review Petition filed by the Petitioner, the Commission 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.”

4.75 The Commission has computed the service tax for the period 16th June, 2005 to 31st March, 2011 as per the applicable service tax rate and approved O&M expense for the inter connecting facility for the respective years. The Commission has not considered any interest cost on the delayed payment of service tax by the Petitioner. Carrying cost on the service tax amount determined for each year upto FY 2014-15 has been provided. Accordingly, the Commission has approved an amount of Rs 1.44 Crore towards service tax on O&M expenses reimbursed to SJVNL, to be allowed in the ARR for FY 2014-15 i.e. first year of Control Period.

Table 29: Service tax on O&M expense related to ICF

Particulars	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14
Tax Amount Payable	0.08	0.13	0.14	0.15	0.13	0.14	-	-	-
Opening Balance	-	0.08	0.23	0.39	0.57	0.76	1.00	1.12	1.27
Addition	0.08	0.13	0.14	0.15	0.13	0.14	-	-	-
Closing Balance	0.08	0.21	0.36	0.53	0.70	0.91	1.00	1.12	1.27
Carrying cost (%)	8.00%	8.00%	8.00%	8.00%	10.00%	11.75%	11.75%	13.50%	13.25%
Interest	0.00	0.01	0.02	0.04	0.06	0.10	0.12	0.15	0.17
Closing Balance of Payment	0.08	0.23	0.39	0.57	0.76	1.00	1.12	1.27	1.44

4.76 The Commission has considered service tax at 12.36% on the O&M expenses determined towards the ICF facility being maintained by SJVNL for the Third Control Period and shall consider actual service tax rate at the time of true-up.

Total O&M Expenses

4.77 The total O&M expenses for the Third Control Period i.e. from FY 2014-15 to FY 2018-19 is approved as given in the table below:

Table 30: Approved O&M Expenses for third Control Period (In Rs Crores)

Particulars	FY 15	FY 16	FY 17	FY 18	FY 19
	Approved	Approved	Approved	Approved	Approved
O&M as per Schedule XI (WPI/CPI)	33.62	36.39	39.39	42.64	46.15
<u>O&M Expenses on Additional Capitalization</u>					
On Additional Expenditure of Rs. 94.08 Crore	1.74	1.88	2.04	2.21	2.39
<u>O&M Expenses on ICF</u>					
On Expenses Of Rs. 62.86 Crore	1.69	1.79	1.90	2.01	2.13

Particulars	FY 15	FY 16	FY 17	FY 18	FY 19
	Approved	Approved	Approved	Approved	Approved
On Expense Of Rs. 1.80 Crore	0.03	0.04	0.04	0.04	0.04
On Expense Of Rs. 2.57 Crore	0.05	0.05	0.05	0.05	0.06
Service Tax on O&M Expenses	0.22	0.23	0.25	0.26	0.28
Total O&M Expenses Approved	37.35	40.38	43.66	47.21	51.05

Return on Equity (RoE)

4.78 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.”

4.79 The Commission has approved the Return on Equity (RoE) as per Section 8.7.3 of the PPA and has computed the same at 16% per annum on the approved equity base. The Commission has included the normative equity of 30% on the additional capital cost of Rs. 2.57 Crore on ICF facility as approved in para 4.16 in the opening equity for the Third Control Period for computation of RoE. The approved RoE is depicted in the table below:

Table 31: Approved Return on Equity for Third Control Period (In Rs Crores)

Particulars	FY 15	FY 16	FY 17	FY 18	FY 19
	Approved	Approved	Approved	Approved	Approved
Opening Balance of Equity	489.72	489.72	489.72	489.72	489.72
Additions During the Year	-	-	-	-	-
Closing Balance of Equity	489.72	489.72	489.72	489.72	489.72
Rate Of Return	16%	16%	16%	16%	16%
Return on Equity	78.36	78.36	78.36	78.36	78.36

Interest On working Capital

4.80 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*

4.81 The rate of interest for calculating the interest on working capital has been taken as per the SBI PLR of 14.45% as on 1st April 2013 for the entire Third Control Period. The interest on working capital shall be trued up at the end of Control Period based on the actual SBI PLR applicable as on 1st April of each year.

Table 32: Approved Interest on Working Capital (In Rs Crores)

Particulars	FY 15	FY 16	FY 17	FY 18	FY 19
	Approved	Approved	Approved	Approved	Approved
1/12th of O&M Expenses	3.11	3.37	3.64	3.93	4.25
Maintenance Spares 12% of O&M Expenses	4.48	4.85	5.24	5.67	6.13
Receivables equivalent to 2 months average billing	47.32	41.17	23.72	24.24	24.25
Total Working Capital	54.92	49.41	32.60	33.84	34.63
Rate of Interest	14.45%	14.45%	14.45%	14.45%	14.45%
Interest on Working capital	7.93	7.14	4.71	4.89	5.00

Incentive for Secondary Energy and Higher Plant Availability

- 4.82 The computation of incentives has been described 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".
- 4.83 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..."
- 4.84 The Commission, for the Third Control Period, has not considered any secondary energy generation for the purpose of approval of the ARR/ Tariff. The incentive for secondary energy generation shall be billed by the Petitioner to HPSEBL as per the

actual generation in the applicable tariff for each year in accordance with the provisions of the PPA and the Commission shall true up the same at the end of the Control Period.

4.85 As per the Section 8.10 of the PPA:

“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.”

4.86 The Commission, for the Third Control Period, has considered plant availability as 90% i.e. at normative availability level. The incentive for higher plant availability shall be billed by the Petitioner to HPSEBL as per the actual plant availability in the applicable tariff year as per the provisions of the PPA and the Commission shall true-up the incentive at the end of the Control Period.

Income Tax

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

4.88 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.”

4.89 For the Petitioner, the Minimum Alternative Tax was applicable for the first 10 years from the date of commissioning. In earlier Orders, the Commission had calculated and trued up the tax liability for BASPA-II as per the Section 8.11.1 of the PPA for the period FY 2003-04 to FY 2010-11 and applied the MAT rate. Since the initial 10 years of tax holiday period availed by the Petitioner is complete, the

Commission has computed the taxable income as per methodology prescribed in the clause 8.11.1 of the PPA and applied current corporate tax rate 33.99% for computation of tax for each year of the Third Control Period. The actual tax paid by the Petitioner would be considered at the time of true-up of Third Control Period.

Table 33: Approved Income Tax for Third Control Period (In Rs Crores)

Particulars	FY 15	FY 16	FY 17	FY 18	FY 19
	Approved	Approved	Approved	Approved	Approved
Return On Equity	78.36	78.36	78.36	78.36	78.36
Incentive for secondary energy	0.00	0.00	0.00	0.00	0.00
Incentive for Higher Plant Availability	0.00	0.00	0.00	0.00	0.00
ADD : Depreciation	95.22	75.59	5.08	3.94	0.18
Subtract : Income tax Depreciation	64.62	59.48	54.79	50.54	46.66
Taxable Income	108.96	94.47	28.64	31.76	31.88
Tax rate	33.99%	33.99%	33.99%	33.99%	33.99%
Income Tax	37.03	32.07	9.73	10.80	10.84

Amortization of Cost of Debt Restructuring

4.90 The Commission has continued with the mechanism of recovery of the principal amount as stated in the Tariff Order dated 24th 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 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 34: Approved Interest on Debt Restructuring (In Rs Crores)

Particulars	FY 15	FY 16	FY 17	FY 18	FY 19
	Approved	Approved	Approved	Approved	Approved
Total Opening Balance	17.71	8.85	-	-	-
Total Drawdowns	-	-	-	-	-
Total Repayment	8.85	8.85	-	-	-
Total Closing Balance	8.85	(0.00)	-	-	-
Rate of Interest	8%	8%	-	-	-
Total Interest	1.06	0.35	-	-	-

Revision in ARR for FY 2010-11 for Additional Capitalization

4.91 The Commission has approved the additional capital expenditure of Rs. 2.57 Cr. towards the ICF as detailed in in para 4.16 above. The additional capital expenditure pertains to FY 2010-11 for which the true-up exercise has already

been undertaken by the Commission vide Order dated 23rd April, 2012. Therefore, the Commission has considered the additional amount under each parameter (i.e. O&M, depreciation, RoE, interest on loan and working capital) for the three month period of FY 2010-11. The table below summarized the additional ARR approved for FY 2010-11:

Table 35: Additional ARR on account of Additional Capitalization (In Rs. Crore)

Particulars	Amount
O&M	0.010
Interest	0.047
Return on Equity	0.031
Depreciation	0.028
Interest on WC	0.001
Total Additional ARR	0.116

4.92 An amount of Rs. 0.166 Cr. has been approved along with carrying cost by the Commission towards the differential ARR for FY 2010-11 on account of additional capitalization and has been included in the ARR for the first year of the Third Control Period i.e. FY 2014-15.

Annual Fixed Charge for BASPA II HEP

4.93 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 projected generation for the Third Control Period and detailed in the previous sections in this chapter, are summarized below:

Table 36: Annual Fixed Charge for BASPA II HEP

Particulars	FY 15	FY 16	FY 17	FY 18	FY 19
	Approved	Approved	Approved	Approved	Approved
Capacity Charges					
Interest on outstanding loans	13.40	4.33	0.72	0.22	0.04
Depreciation + AAD	95.22	75.48	5.08	3.94	0.18
Interest on loan related to debt restructuring	1.06	0.35	-	-	-
Repayment of loan related to debt Restructuring	8.85	8.85	-	-	-
Application fee	0.05	0.05	0.05	0.05	0.05
Sub-total Capacity Charges	118.59	89.19	5.84	4.21	0.27
Primary Energy Charges					

Multi Year Tariff Order (FY15 - FY19)

O&M Charges	37.35	40.38	43.66	47.21	51.05
Revision of ARR for FY 2010-11 on additional Rs. 2.57 Cr of ICF	0.17	-	-	-	-
Cumulative Additional O&M expenses	2.96	-	-	-	-
Cumulative Service Tax on ICF O&M Expenses	1.44	-	-	-	-
Return on Equity	78.36	78.36	78.36	78.36	78.36
Interest on Working Capital	7.93	7.14	4.71	4.89	5.00
Sub-total Primary Charges	128.21	125.87	126.73	130.46	134.41
Incentives and Taxes					
Incentive for Secondary Energy					
Incentive for Higher Plant Availability	-	-	-	-	-
Tax	37.03	32.07	9.73	10.80	10.84
Sub-total Incentives and Taxes	37.03	32.07	9.73	10.80	10.84
Total Annual Fixed Charges	283.84	247.02	142.31	145.46	145.51

4.94 The Approved Tariff for the BASPA-II for the Third Control Period is given in the table below:

Table 37: Tariff for BASPA II HEP for the Third Control Period as approved by the Commission

Particulars	Units	FY 15	FY 16	FY 17	FY 18	FY 19
		Approved	Approved	Approved	Approved	Approved
Energy Generation						
Saleable Primary Energy	MU	1050.06	1050.06	1050.06	1050.06	1050.06
Saleable Secondary Energy	MU	-	-	-	-	-
Total Generation	MU	1050.06	1050.06	1050.06	1050.06	1050.06
Total Annual Fixed Charges	Rs Crore	283.84	247.02	142.31	145.46	145.51
Tariff for Total Energy	Rs/kWh	2.70	2.35	1.36	1.39	1.39
Total Primary Energy Charges	Rs Crore	283.84	247.02	142.31	145.46	145.51
Tariff for Primary Energy	Rs/kWh	2.70	2.35	1.36	1.39	1.39