PUNJAB STATE ELECTRICITY REGULATORY COMMISSION
SCO NO. 220-221, SECTOR 34-A, CHANDIGARH

Petition No. 24 of 2017
Date of Order: 30.07.2018

Present: Ms. Kusumjit Sidhu, Chairperson
Sh. S.S. Sarna, Member
Ms. Anjuli Chandra, Member

In the matter of: Petition for Capital Investment Plan and Business Plan for control period from FY 2017-18 to FY 2019-20 under Regulation 9 & 10 of Punjab State Electricity Regulatory Commission (Terms and Conditions for Determination of Generation, Transmission, Wheeling and Retail Supply Tariff), Regulations, 2014.

AND

In the matter of: Everest Power Private Limited, Hall A, First Floor, Plot No. 143-144, Udyog Vihar, Phase –IV, Gurgaon – 122015, Haryana.

.... Petitioner

Versus

1. Punjab State Power Corporation Limited, The Mall, Patiala.
2. PTC India Limited, 2nd Floor, NBCC Tower, 15, Bhikaji Cama Place, New Delhi – 110066.

…. Respondents

ORDER

The present petition has been filed by Everest Power Private Limited (EPPL) under Regulation 9 & 10 of Punjab State Electricity Regulatory Commission (Terms and Conditions for Determination of Generation, Transmission, Wheeling and Retail Supply Tariff), Regulations, 2014 for approving the Capital Investment Plan and

Business Plan for MYT Control Period for FY 2017-18 to FY 2019-20.

2. The petition was taken up for admission on 27.04.2017 wherein during hearing it was noticed that there is a delay in filing the petition. The counsel for the petitioner requested time to file an application for condonation of delay in filing the petition. The Commission vide Order dated 02.05.2017 directed that the application for condonation of delay may be filed by 05.05.2017 and reserved the Order on admission of the petition.

3. EPPL filed an interlocutory application for condonation of the delay (I.A. no. 20 of 2017) on 05.05.2017 praying to condone the delay of 367 days in filing the above said petition seeking approval of Capital Investment Plan and Business Plan for 100 MW Malana II Hydro-Electric Project for Control period FY 2017-18 to FY 2019-20. The petitioner has reiterated the submissions made in the petition in the aforesaid I.A. and has submitted as under:

i. That as per Regulation 9.1 and 10.1 of PSERC (Terms and Conditions of Determination of Generation, Termination, Wheeling and Retail Supply Tariff) Regulations, 2014 Capital Investment plan and Business Plan for generation, transmission or distribution business are required to be filed for approval by the Commission on or before 1st April of the year preceding the first year of the control period for a duration covering the control period.

ii. That as per Regulation 10.3 the business plan for generation business shall contain among other things the following; (i) Generation forecasts; (ii) Future performance targets; (iii) Proposed efficiency improvement measures; (iv) Saving in operating costs; (v) Financial statements (which includes balance sheet, profit and loss statements and cash flow statement)-current and projected (at least for the control period duration) along with basis of projections; (vi) any other new measures to be initiated for doing generation business, e.g. automation, IT initiatives etc.

iii. That the aforesaid petition for approval of Capital investment plan was required to be filed before the Commission by 1st April, 2016, however the said petition has been filed by the petitioner on 3rd April, 2017 i.e. after delay of 367 days which is neither intentional nor deliberate and the same has occasioned inter-alia on account of the following reasons:-

a. That as per the Punjab State Electricity Regulatory Commission Regulations, 2014, the Additional Capitalization for the Control Period (FY 2017-18 to FY 2019-20) is required to be firmed up and projected as a part of MYT petition. EPPL intends to construct a chute spillway as per the directives of the DOE, Government of Himachal Pradesh, in line with the thrust given by the Central Government for safe and smooth operation of all Hydro Electric Projects in view of the changing weather conditions & frequent incidents of excessive floods/cloud bursts in the upper catchment areas witnessed in past 2-3 years in Uttarakhand, Jammu & Kashmir and other parts of the Himalayan States and in compliance of the same, it was proposed to construct an additional spillway in the existing dam body for safe discharge of flood. The Commission vide letter dated 10.08.2016 in Petition No. 55 of 2015 had also directed EPPL to submit DPR for chute spillway. However, the DPR which require detailed study and analysis was not analyzed within the expected timelines as the model studies by IIT-Roorkee and optimization of the design and drawings by the renowned consultants were not completed. EPPL was targeting for filing the Capital Investment Plan and Business Plan for the control period based on the final estimates of the chute spillway after completion of the said model studies and analysis by the IIT-Roorkee and consultants respectively. However, the same was still under the progress and EPPL expected to receive the same shortly. This led to the delay in filing the said petition on account of figures related to additional capitalization;

b. That to assess the pragmatic requirements for replacement of the existing electrical especially runners during the Control Period i.e. during FY 2017-18 to FY 2019-20, EPPL had to wait for the completion of the monsoon season at the project site and also for the completion of the annual repair & maintenance which was undertaken in December, 2016 and got completed in the first week of January, 2017. The project is a high head scheme (603 m) and its reservoir is situated near the glaciers which carry high quartz content and sharp edged silt particles which generally affect the runners and nozzles of the machines. In order to run the project efficiently every year, after each monsoon runners are to be refurbished using weld repairs and re-hard coating. Nozzle mouth rings being low value items are replaced with new ones. Other 2 hydro power plants situated in the Himalayan region operating even at much lower head and more distant places from the glaciers (Malana –I, Nathpa Jhakri, Karcham Wangtu, Vishnu Prayag) go through the similar erosions requiring refurbishment of the runners and after few years of operations these projects had to procure spare runners to maintain the efficient operations of these plants. Thus, after every year annual repairs, the profile of the runners and their strength are assessed. While 2 runners are under operation in machines, remaining 2 are available for repair and coating. During the annual shut down in December, 2015 the data available for all the four runners were not sufficient to predict the life of each runner and scheduled their replacement. During scheduled annual repair for FY 2016-17, which got completed in January 2017, all the four runners were available for inspection to experts to work out best suited recourse for repair/replacement of runners. This detailed inspection is necessary to work out the extension of damages in the runner to ascertain whether they can be continued in operation by repair/coating or they need replacement. During inspection it was noticed that the weakest part of the runner castings, i.e. bucket roots have also started eroding and failure of a bucket would lead to trip in generating unit, resulting in loss of generation. Accordingly, various study have been done and it was proposed to buy one new fully forged hard coated runner in the FY 2017-18 to replace most damaged runner in order to regain the runner efficiency and to avoid any sudden failure in the buckets and ensure safe operation of plant. Further, it was also observed after annual maintenance in January, 2017 that roots of the runners in other units also get eroded and can be continued this season. However, the same need replacement in next season with a new runner;

c. That as per the Punjab State Electricity Regulatory Commission MYT Regulations 10.3, the Business plan for Generation business shall inter-alia contain the financial statements (which includes Balance Sheet, Profit & Loss Statement and Cash flow Statement) current and projected;

d. That as per the provisions of the Companies Act, 2013, the financial statements of the company for the financial year ended in 31.03.2016 was required to be adopted on or before 30th September, 2016. Since the company was required to undergo the mandatory audits like internal audit, cost audit and statutory audit for the financial year ended on 31.03.2016. The said audits were completed in August, 2016 and accordingly, the financial statements of the company were reviewed, considered and approved by the Audit Committee in August, 2016. Thereafter, the same was approved by the board of directors and adopted by the shareholders in September, 2016. The audited accounts for the FY 2015-16 have been finalized in the month of September, 2016;

e. That for the purpose of submitting realistic estimated projections along with the financial statements including balance sheet, profit and loss statement and cash flow statement for the Control Period i.e. FY 2017-18 to FY 2019-20 the latest audited balance sheet and the AFC for the current/previous years as approved by the Commission were required. The petitioner was awaiting finalization of the audited accounts of EPPL for FY 2015-16 and the Order approving the AFC (True-up) of FY 2014-15 & AFC (Projections) of FY 2015-16 which was finally issued by the Commission on 20.12.2016;

iv. That while filing the aforesaid petition before the Commission, the petitioner bonafide intended to bring on record latest realistic/audited financial figures which are more nearer to the period involved in the instant petition. The latest audited figures for FY 2015-16 which got finalized in September, 2016 were thereafter considered for filing of the instant petition for FY 2017-

18 to FY 2019-20. The above exercise of the Petitioner has led to a delay in filing the instant petition;

v. That the petitioner shall suffer irreparable loss and injury in case the delay in filing the present petition is not condoned. The petitioner has filed a consolidated petition for approval of the Capital Investment Plan and Business Plan for the Control Period from FY 2017-18 to FY 2019-20 and in case the delay in fling the petition is not condoned by the Commission then the same would result in non-approval of the Capital Investment Plan and Business Plan of the petitioner which would affect the determination of AFC of the Project for FY 2017-18 to 2019-20;

vi. That no prejudice shall be caused to the respondent in case the delay in filing of the petition is condoned;

vii. That in the interest of justice, equity and fair play it is submitted that the delay in filing the present MYT petition may be condoned;

4. The Commission after going through the contentions made in the I.A. no. 20 of 2017 for condonation of the delay in filing the petition for approval of Capital Investment Plan and Business Plan for Control Period from FY 2017-18 to FY 2019-20, vide Order dated 31.05.2017 condoned the delay and admitted the petition for hearing. The Commission directed the petitioner to file such petitions, in future, within the time-frame prescribed in the regulations. The respondents were directed to file reply with a copy to the petitioner by 20.06.2017 and in the meanwhile the petitioner was directed to submit the draft public notice to the Commission by 05.06.2017 for approval so that the same is published by the petitioner for inviting comments from stakeholders by 20.06.2017. The petition was fixed for hearing on 04.07.2017 which was later postponed to 25.07.2017 and thereafter again postponed to

29.08.2017. The date of hearing of the petition was once again postponed to 08.11.2017.

5. In compliance to the Commission's Order dated 31.05.2017, EPPL vide letter no. EPPL/PSERC/24-2017/170605 dated 05.06.2017 submitted the draft of public notice which was approved by the Commission with some corrections vide letter dated 16.06.2017. EPPL published the notices in The Tribune (English), Dainik Tribune (Hindi), and Punjabi Tribune (Punjabi) on 19.06.2017 inviting suggestion and objections from any person including the beneficiary on the proposals contained in the petition. The objections/suggestions were advised to be filed with the Secretary of the Commission within 30 days of the publication of notice, with a copy to EPPL.

6. In the meanwhile, PSPCL vide memo no. 6322/24/TR-5 852 dated 19.06.2017 requested one week more time to file the reply in compliance to the Commission's Order dated 31.05.2107. The Commission allowed the same directing PSPCL to file the reply by 29.06.2107. PSPCL further requested 2 weeks time for filing the reply vide memo no. 6387/TR-5/834 dated 30.06.2107. The commission granted PSPCL last opportunity for filing the reply by 14.07.2017 with a copy to EPPL and the other respondent.

7. In response to the public notice published on 19.06.2107, the Director, Directorate of Energy, Govt. of Himachal Pradesh, New Shimla intimated the Commission vide its letter no. HPDOE/CE (Energy)/LADF-Malana-II HEP/2017 -2433-34 dated 21.06.2017, cited the reference of the Government of Himachal Pradesh, Department of MPP & Power Notifications dated 11.12.2006, 16.09.2009, 30.11.2009, 05.10.2011, 26.05.2015 and 17.08.2016 wherein it has been notified that:-

" The Hydro Power Policy, 2006, provides that 1.5% of the final cost of the projects above 5 MW and 1% of the final cost of projects upto 5MW shall be contributed to a Local Area Development Fund (LADF). This provision is applicable for new as well as ongoing projects at the time of notification of the policy. The Guidelines for management of Local Area Development Fund (LADF) in respect of hydro Electric Projects were notified vide No. MPP-F (10) 15/2006 dated 16.09.2009.

Thereafter Govt. of Himachal Pradesh vide notification No.,- MPP-F (1)-2/2005-V dated 30.11.2009 has brought in additional provision in line with the provisions of Govt. of India's new Hydro Power Policy, 2008.

a) Additional 1% (one percent) free power after commissioning of hydro power projects shall be earmarked for the LADF to provide a regular stream of revenue for income generation and welfare schemes, creation of additional infrastructure and common facilities etc. on a sustained and continued basis over the life of the project.

b) The Govt. of Himachal Pradesh may also provide a matching 1% from its share of 12% free power through plan/ budgetary provisions for schemes where the normal plan/ budgetary provisions and the 1% free power provided by the Developer (s) to the LADF is not adequate to meet the requirement for infrastructure or scheme.

And as per clause No. 4.2 of the GoHP LADF Guideline dated 05.10.2011, this Additional 1% (one percent) Free Power, over and above the royalty component provided to the host State will be a pass through in tariff. The revenue collected by the Nodal Agency (Directorate of Energy) from sale of such 1% free power (contribution from the Project developer) will be transferred to the Local Area Development Fund for each project."

It further stated that EPPL had filed a Writ Petition bearing no. 1403/2016 before the Hon'ble High Court of Himachal Pradesh and the Hon'ble High Court stayed the Himachal Pradesh Government Notification dated 16.09.2009 and 05.10.2011. Himachal Pradesh State has also filed an LPA during 2012 before the High Court on the same petition filed by other project developer for not imposing the Policy guidelines. The decision on the same is still awaited.

In view of the above the Directorate requested that before approving the Annual Fixed cost (True-up) for FY 2015-16, Annual Fixed Cost for MYT control period 2017-18 to 2019-20 and Capital Investment Plan & Business Plan for MYT control Period 2017-18 to 2019-20 in respect of Malana-II HEP(100MW) in HP, the provision of Pre-Commissioning as well as Post-Commissioning Local Area Development Fund (LADF) may be kept as per Govt. of HP, LADF Guidelines dated 11.12.2006, 16.09.2009, 30.11.2009, 05.10.2011, 26.05.2015 and 17.08.2016 w.e.f date of COD.

8. PSPCL filed reply to the petition vide memo no. 6469/TR-5 852 dated 13.07.2017 and M/s PTC India Ltd. filed reply to the petition on 14.07.2017.

PSPCL further vide Memo no. 5110 dated 25.09.2017 filed reply to the objection raised by the Directorate of Energy, Government of Himachal Pradesh. The submissions made by PSPCL, are summarized, as under:

i. That the present petition has been filed by the petitioner for True-up of Annual Fixed Cost for FY 2015-16, AFC for MYT Control period from FY 2017-18 to 2019-20 and approval of the Capital Investment plan for MYT Control period from FY 2017-18 to 2019-20 in respect of Malana–II Hydro Electric Project (100 MW) situated in Himachal Pradesh;

ii. That the Commission vide Order dated 20.12.2016 determined the tariff applicable for sale and purchase of power from hydro-electric plant of the petitioner to PSPCL through PTC India Limited for the FY 2015-16;

iii. That the amounts payable to the Government of Himachal Pradesh if any are inter-se and bilateral issues between the petitioner and Government of Himachal Pradesh and PSPCL or the consumers of Punjab do not have any obligation in this regard. There is no merit in the contentions of the Government of Himachal Pradesh and the very locus standi of the Govt. of Himachal Pradesh is in issue in the present proceeding;

iv. That the said notifications of Government of Himachal Pradesh dated 16.09.2009 and 05.10.2011 imposing the LADF has been stayed by the Hon'ble High Court of Himachal Pradesh in Writ Petition no. 1403/2016 filed by the petitioner and therefore there is no liability of even the petitioner, to pay any such amounts to Government of Himachal Pradesh;

v. That as far as PSPCL is concerned, the liability of PSPCL to pay the same does not arise. Only if expenses are actually incurred and are found reasonable and prudent and allowable on actual basis the same be considered in the tariff to be allowed to the petitioner. The same is subject to adjudication, prudence check and tariff determination on normative basis by the Commission.

In the above circumstances the claims of Government of Himachal Pradesh cannot be considered.

9. The petition was taken up for hearing on 08.11.2017 wherein the petitioner submitted that it may have to file revised/amended petition for Capital Investment Plan and Business Plan for the Control Period from FY 2017-18 to FY 2019-20 consequent upon petition for True-up of AFC for FY 2016-17 to be filed shortly and amended MYT petition for the said period. The Commission vide Order dated 10.11.2017 directed the petitioner to file revised/amended petition and fixed the petition for hearing on 07.03.2018.

10. In response to the reply filed by PSPCL to the objections raised by the Directorate of energy, Government of Himachal Pradesh dated 21.06.2017; the Director, Directorate of Energy, Government of Himachal Pradesh, New Shimla filed its reply vide letter no. HPDOE/CE (Energy)/Legal/2017-7153-55 dated 04.12.2017. The submissions made by the Directorate are summarized, as under:

i. That the reply of PSPCL wherein it has stated that the petitioner is not liable to pay such amount relating to LADF to the Govt. of Himachal Pradesh is denied.

ii. That as per clause 4.2 of Government of Himachal Pradesh LADF Guidelines dated 05.10.2011, additional 1% Free Power, over and above the royalty component provided to the host State, will be passed through in the Tariff;

iii. That the revenue collected by the Nodal Agency i.e. Directorate of Energy from the sale of such additional 1% free power Post-Commissioning Contribution from the project developer will be transferred to the LADF for each project and 1.5% Pre-commissioning of the project cost share shall be utilized for the development works of Panchayat/of the project affected area

iv. That the State Government has filed an LPA during 2012 on the similar petitions filed by other project developers praying not to impose these policy guidelines and the decision is awaited.

In view of the above and subject to the outcome of the decision of the Hon'ble Himachal Pradesh High Court, it was once again requested to the Commission that while approving the AFC (True-up) for FY 2015-16, AFC for MYT control period 2017-18 to 2019-20 and Capital Investment Plan & Business Plan for MYT control period from 2017-18 to 2019-20 in respect of Malana-II HEP (100 MW), the provision for Pre-Commissioning as well as Post-Commissioning LADF may kindly be taken into consideration as per Govt. of HP, LADF Guidelines.

11. In compliance to the Commission's Order dated 10.11.2017 wherein EPPL was directed to file revised/amended petition submitted vide letter no. EPPL/PSERC/180129 dated 29.01.2018 that it doesn't propose to file revised Capital Investment Plan for the Control Period i.e. FY 2017-18 to FY 2019-20 since there is no change/revision. EPPL further submitted that it shall request for approval of additional capitalization and corresponding changes in the AFC components, in the True-up petition to be filed for AFC for the MYT control period i.e. FY 2017-18 to FY 2019-20 on audited accounts.

12. After hearing the parties on 07.03.2018 the Commission directed the petitioner to submit the copy of the letter dated 02.02.2018 issued by the Directorate of Energy, Government of Himachal Pradesh accepting the revised DPR for construction of additional spillway for safety of the Dam Structure of the petitioner within 2 days and reserved the order. EPPL in compliance to the above Order, vide letter no.

EPPL/PSERC/180317 dated 17.03.2018, submitted the copy of the letter dated 02.02.2018 issued by the Directorate of Energy, Government of Himachal Pradesh.

13. The submissions of the petitioner are summarized in brief as under:

i. That the Regulation 9.1 of Punjab State Electricity Regulatory Commission MYT Regulation, 2014, specifies as under:

"The Applicant shall file capital investment plan for approval by the Commission on or before1st April of the year preceding the first year of the control period for a duration covering the control period. The capital investment plan shall include:

a. Purpose of investment;

b. Broad Technical Specifications of the proposed investment and supporting details;

c. Capital Structure;

d. Capitalization Schedule;

e. Financing Plan, including identified sources of investment;

f. Physical targets;

g. Cost-benefit analysis;

h. Prioritization of proposed Investments;

i. In case of generating company, the capital investment plan shall be commensurate with the capacity addition during the control period; ……………………………………………."

Accordingly, EEPL has submitted the Capital Investment Plan, projected for first control period (FY 2017-18 to FY 2019-20) for its generating units;

ii. That various equipment in the power station are subjected to very high stresses during the operation and by their basic design have lesser life than what is considered for the plant as a whole. The replacement of equipments is needed at appropriate interval to ensure smooth and safe running of power station. The proposal in this category belongs to such capital works, which are indispensible to operate generating station in a safe and smooth manner;

iii. That the additional capitalization after cut-off date, Regulation 18.2 of Punjab State Electricity Regulatory MYT Regulations, 2014 specifies as under:

"18.2. The Capital Expenditure of the following nature actually incurred after the cut-off date may be admitted by the Commission. Subject to prudence check:

a. Un-discharged/Deferred liabilities relating to works/services within the original scope of work;

b. Liabilities to meet award of arbitration or for compliance of the order or decree of a court;

c. On account of change of law;

d. Any additional works/services which have become necessary for efficient and successful operation of the project, but not included in the original project cost; and

e. In case of hydro generating stations, any expenditure which has become necessary on account of damage caused by natural (but not due to flooding of power house attributable to the negligence of the generating company) including due to geological reasons after adjusting for proceeds from any insurance scheme, and expenditure incurred due to any additional work which has become necessary for successful and efficient plant operation:

Provided that any expenditure on acquiring the minor items or the assets like tools and tackles, furniture, air-conditioners, voltage stabilizers, refrigerators, coolers, fans, washing machines, heat convectors, mattresses, carpets etc. brought after the cut-off date shall not be considered for additional capitalization for determination of tariff w.e.f. the date of the start of first year of the control period".

The above said regulation allows the additional capitalization for the generating stations after cut-off date. EPPL proposes the capital investment schemes under above Regulation for efficient and successful operation of the plant.

iv. That the capital investment plan for 100 MW Malana-II HEP has been described in two parts i.e. deferred provisions already approved by the Commission under various Orders and Projected Capital Expenditure over and above approved deferred provisions.

14. The Capital Investment Plan under both the above cases is explained in details in following paragraphs:

14.1. Deferred Provisions already approved by the Commission under various Orders:

The Commission vide its consequential Order dated 04.12.2014 in Petition No. 54 of 2012 has approved the deferred provision of ₹13.5167 crore. Subsequently, EPPL has incurred ₹4.28 crore (₹1.017 crore in FY 2013-14 and ₹3.27 crore in FY 2015-16) out of the total approved deferred provisions upto FY 2016-17. The balance amount of ₹9.23 crore towards such deferred provisions is proposed to be incurred by EPPL during the control period i.e. from FY 2017-18 to FY 2019-20.

The details of the balance expenses are tabulated below:

S.N.	Head	Balance of approved deferred provisions (₹. in Crores)
1.	Land (Compensation to land owners)	0.45
2.	Buildings (balance works towards construction of Project colony)	1.90
3.	Communications (blacktopping of approach roads and procurement of snow cleaning equipment, earth moving equipment etc.)	3.85
4.	Escalation (Escalation on balance infrastructure works)	1.13
5.	Dam Intake & Desilting Chamber (procurement and installation of TRCM)	1.76
6.	Transmission Line & Terminal Equipment (final invoice towards transmission line and substation works)	0.09
7.	Miscellaneous (towards procurement of Office Equipment; Tools & Tackles / Machinery and Computers)	0.05
	TOTAL	**9.23**

The Commission vide Order dated 31.08.2015 and also in Order dated 20.12.2016 has held that such deferred provisions would be considered on merits when claimed as actual expenditure by EPPL on submission of audited accounts for the same. The Commission may consider the above towards additional capitalization under various heads;

14.2. That the head wise details of the above said approved expenses during the control period are explained in the following paras:

i. Land (Compensation to land owners):

The Commission had approved provision amounting to ₹1.47 crore under the head 'Land' vide Orders dated 31.08.2015 & 20.12.2016. Out of the said approved deferred provisions, EPPL has already incurred expenditure of ₹ 1.017 crore during FY 2013-14.

The balance expenditure of ₹ 0.45 crore was proposed to be incurred by EPPL during FY 2017-18.

Accordingly, the amount of ₹ 0.45 crore already approved by the Commission as deferred provisions under the head "Land" is expected to be incurred during FY 2017-18.

ii. Buildings (balance works towards construction of Project colony):

a. The said amount of ₹1.90 crore pertains to balance works towards construction of project colony under original scope of Infrastructure Works of the EPC contractor. As per the terms of the Contract, the entire amount payable on this account becomes due when entire building works are completed. Construction activities of the Colony works could not progress as envisaged earlier due to local issues which now have been settled and the works have resumed.

b. The colony consists of four numbers of blocks (one- 1 BHK & three - 2BHK blocks). One BHK block of 24 flats has been completed and has been allotted to the staffs who are operating the Plant. The structure and plastering works of three blocks comprising 10 number of 2BHK flats has been completed, and at present internal finishing & interior works are in progress. Completion of interior works are taking more time than the estimated schedule, as majority of the experienced/skilled labours come from other

States and go away during the winter period. Balance works of these three 2BHK blocks are targeted to be completed during FY 2017-18.

c. All other infrastructure facilities, viz., bore well for water supply, STP & RO system etc. have been completed.

Accordingly, the amount of ₹1.90 Cr. already approved by the Commission as deferred provisions under the head “Building” is expected to be incurred during FY 2017-18.

14.3 Communications (blacktopping of approach roads and procurement of snow cleaning equipment, earth moving equipment etc.):

i. The said amount of ₹ 3.85 crore was approved for black topping of project access roads and procurement of earthmoving and snow clearing equipment.

ii. The black topping works were under original scope of Infrastructure Works of the EPC Contract. The works of blacktopping could not be initiated due to the following reasons:

a. All the approach roads to different project components were constructed by cutting the steep to near vertical hill slopes exposing bed rock. At many places to restrict the hill cutting and minimizing the hill slope instability long retaining structures were erected and muck was filled in to develop the road.

b. The filled in material was adequately compacted, however, due to excess rain fall differential settlement was happening in the initial years, which was regularly repaired.

c. Time and again the construction of access roads, landslides of varying dimensions from the adjacent hill slopes were triggered due to heavy rain or snow fall. As a result the roads were getting damaged severely. The frequencies of these landslides have decreased considerably now, due to the hill slope stabilization.

d. In winter season certain stretches of the road were getting damaged due to thawing action of the snow. These areas have now stabilized to great extent due to repeated stability measures provided every year.

e. Due to the cloud bursting the roads were being damaged severely. New culverts with wider span were provided at many places across the ephemeral nalas so that heavy down pour/ cloud bursting in the catchment areas may not damage the roads.

iii. In view of aforesaid problems, it was decided to postpone black topping of the access roads till substantial part is stabilized; otherwise substantial stretch of the black topped roads could have incurred regular repairs. Every year the affected areas were repaired with proper graded material, and catch drains along the roads were cleaned regularly. In the areas where the damages were of large dimension and happening every year, water bound macadam (WBM) was done and PCC lining has been provided. During the last five years of Plant operation, all precautions & measures to stabilize the access roads were taken; as a result the roads are almost stabilized.

Therefore, black topping of the access roads is now planned to be carried out during FY 2018-19 and FY 2019-20 respectively.

iv. To keep the roads operational in the project area especially under severe weather conditions, it is utmost necessary to procure the snow cleaning equipment, earth moving equipment etc. Some of the equipment like back-loader was purchased in FY 2015-16 and the remaining equipment are planned to be procured during FY 2018-19 and FY 2019-20 as the black topping of the access roads progresses.

v. It is submitted that since commissioning of the project, the access roads are maintained with EPC contractor's equipment available at project area. On EPPL's request, EPC/construction contractor has kept two back-loaders, two tippers, and one excavator at the project for road maintenance activities.

vi. In view of the above, procurement of earthmoving & snow clearing equipment's was postponed till date. These equipment are ageing (more than 15 years old) and require frequent repairs, therefore it is proposed to purchase earthmoving/ snow clearing equipment in FY 2018-19 and FY 2019-20.

Accordingly, the amount of ₹3.85 crore already approved by the Commission as deferred provisions under the head "Communication" is expected to be incurred during FY 2018-19 (₹1.30 crore) & during FY 2019-20 (₹2.55 crore).

14.4 Escalation (Escalation on balance infrastructure works):

i. The Commission has approved ₹1.13 crore as deferred provisions under the head “Escalation” for the balance infrastructure works i.e. Buildings and Communications.

ii. As detailed in the above paras, the approved provisions under the head Buildings and Communications are likely to be incurred during FY 2018-19and FY 2019-20, the associated cost of escalation of ₹1.13 crore already approved under the deferred provisions, for the said expenses is expected to be incurred in FY 2017-18, FY 2018-19 and FY 2019-20.

Accordingly, the amount of ₹1.13 crore already approved by the Commission as deferred provisions under the head “Escalation” is expected to be incurred during FY 2017-18 (₹0.50 crore), FY 2018-19 (₹0.19 crore)& during FY 2019-20 (₹ 0.44 crore) respectively

14.5 Dam Intake & Desilting Chamber (procurement and installation of TRCM):

i. The amount of ₹1.76 crore approved under the head ‘Dam Intake & Desilting Chamber’ for procurement of Trash Rack Cleaning Machine (TRCM) and log clearing arrangement.

ii. EPPL initiated procurement process for TRCM and techno - commercial offers received for installing it at Dam Block No.4. However, Government of Himachal Pradesh proposed to construct a road to Malana village, which shall pass through the dam top of the project.

iii. In view of the above, the location of the TRCM required shifting away from dam top, so that the traffic over the dam passes smoothly. In this context, further discussions with the TRCM suppliers were held to optimize the design of the TRCM in such a way that there is no hindrance over the dam top for the smooth passage of traffic. New designs and commercial offers are expected shortly from the supplier and accordingly the approved budget of ₹ 1.76 Cr. shall be utilized during FY 2017-18.

Accordingly, the amount of ₹1.76 crore already approved by the Commission as deferred provisions under the head “Dam Intake & Desilting Chamber was expected to be incurred during FY 2017-18.

14.6 Transmission Line & Terminal Equipment (final invoice towards transmission line and substation works):

i. The approved provisional amount was ₹ 0.09 crore under the head ‘Transmission Line and Terminal Equipment’. All transmission line and substation works have been completed and successfully commissioned by the contractor.

ii. The final invoice of ₹ 0.09 crore for the already executed job was not received from the contractor even in the FY 2016-17. Therefore, it was proposed to cancel the approved deferred provision of ₹0.09 crore under the head ‘Transmission Line and Terminal Equipment’.

Accordingly, there is no amount proposed to be incurred under the head “Transmission Line & Terminal Equipment” during the control period i.e. from 2017-18 to 2019-20.

14.7 Miscellaneous (towards procurement of Office Equipment, Tools & Tackles / Machinery and Computers):

i. The amount of ₹0.05 crore approved provisions under the head 'Miscellaneous Expenses' was towards installation of mandatory environment release monitoring system and security cameras (CCTV) and associated recording and storage devices at the project site.

ii. EPPL proposed to install CCTV cameras at project site at various places such as Main Access Tunnel (MAT), assembly area, material/diesel storage areas during the FY 2017-18 and the expenses of ₹0.05 crore is likely to be incurred during FY 2017-18.

Accordingly, the amount of ₹0.05 crore already approved by the Commission as deferred provisions under the head "Miscellaneous" was expected to be incurred during FY 2017-18.

iii. The year wise details of the expenses, which have already been approved by the Commission as deferred provisions, expected to be incurred during the control period i.e. during FY 2017-18 to FY 2019-10 are tabulated hereunder:

S.N.	Head	FY 2017-18	FY 2018-19	FY 2019-20	Total (₹ In Crores)
1.	Land (Compensation to land owners)	0.45	-	-	0.45
2.	Buildings (balance works towards construction of Project colony)	1.90	-	-	1.90
3.	Communications (blacktopping of approach roads and procurement of snow cleaning equipment, earth moving equipment etc.)	-	1.30	2.55	3.85
4.	Escalation (Escalation on balance infrastructure works)	0.50	0.19	0.44	1.13
5.	Dam Intake & Desilting Chamber	1.76	-	-	1.76

S.N.	Head	FY 2017-18	FY 2018-19	FY 2019-20	Total (₹ In Crores)
	(procurement and installation of TRCM)				
6.	Transmission Line & Terminal Equipment (final invoice towards transmission line and substation works)	-	-	-	-
7.	Miscellaneous (towards procurement of Office Equipment; Tools & Tackles / Machinery and Computers)	0.05	-	-	0.05
	TOTAL	**4.66**	**1.49**	**2.99**	**9.14**

The Commission may consider the above amount of ₹9.14 crore towards already approved provisions while approving the Capital Investment Plan as well as towards additional capitalization under various heads while approving the Capital Investment Plan.

14.8 Additional Capitalization over and above the approved deferred provisions:

EPPL was expected to incur capital expenditure during the control period i.e. FY 2017-18 to FY 2019-20 over and above the already approved deferred provisions, the details of which are given hereunder:

S.N.	Head	Amount ₹ in Crore
1.	Land: Lease claimed by GoHP	4.10
2.	Chute spillway	15.00
3.	Staff rest room at Dam complex	0.80
4.	Purchasing of Runners& Nozzle Assembly	23.00
	TOTAL:	**42.90**

i. Land Lease claimed by Government of Himachal Pradesh:

a. That 'Land held under lease' pertains to Forest Land diverted for the Project as the said land is not mutated in the name of the generating company. However, no lease amount was either demanded by Government of Himachal Pradesh (GOHP) or paid by EPPL up to August 2014;

b. GoHP subsequently raised demand for an amount of ₹5.77 crore vide letters dated 11.08.2014 & 27.08.2014 excluding interest**.** The said demand for lease rentals has been raised in accordance with the provisions of the Himachal Pradesh Ceiling on Land Holdings Act, 1972 and Himachal Pradesh Village Common Lands Vesting and Utilization Act, 1974 and the Rules framed there under by the Government of Himachal Pradesh. The Lease Rules were notified in 1993 i.e. prior to the signing of the PPA and PSA, and thereafter amended / replaced by Lease Rules 2011 and Lease Rules, 2013 wherein the lease rates were amended in each of the said amendments;

c. The demand for lease amounting to ₹5.77 crore from the period commencing from 19.11.2005 (being the date of accord of Forest Clearance) to 18.11.2014 towards lease rentals and ₹1.24 crore as an annual lease rental has been conveyed in the demand letter dated 27.08.2014 received from the Government of Himachal Pradesh;

d. EPPL till date has not paid any amount to Government of Himachal Pradesh in this regard. However, the amount pertaining to period prior to COD viz. ₹4.10 crore is expected to be incurred by EPPL during the FY 2017-18;

e. The above said matter was also considered by the Commission while issuing the order dated 20.12.2016 and it was held by the Commission that any such expenses paid to Government of Himachal Pradesh towards lease rental shall be considered on merits when claimed as actual expenses by EPPL in subsequent years;

f. In view of the above, EPPL was expected to incur the expenses towards lease rental during FY 2017-18.

   Accordingly, the expected amount of ₹4.10 crore over & above the deferred provisions under the head "Land Lease" is expected to be incurred during FY 2017-18.

ii. Chute Spillway:

a. EPPL intends to construct a Chute Spillway as per the directives of the DOE, Government of Himachal Pradesh, in line with the thrust given by the Central Government for safe and smooth operation of all Hydro Electric Projects in view of the changing weather conditions & frequent incidents of excessive floods / cloud bursts in the upper catchment areas witnessed in past 2-3 years in Uttarakhand, Jammu & Kashmir and other parts of the Himalayan States. Such capital expenditure is admissible under the provisions of Regulation 14 (3) (viii) of the CERC (Terms and Conditions of Tariff) Regulations 2014. Relevant extracts of the same have been reproduced below:

"……….In case of hydro generating stations, any expenditure which has become necessary on account of damage caused by natural calamities (but not due to flooding of power house attributable to the negligence of the generating company) and due to geological reasons after adjusting the proceeds from any insurance scheme, ***and expenditure incurred due to any additional work which has become necessary for successful and efficient plant operation****;"*

b. EPPL awarded the work of detailed design & construction methodology to the renowned consultant (Aqua green Engineering Management Pvt. Ltd.) and also approached IIT Roorkee for model studies to further optimize the final design & drawings of the proposed surface chute spillway. The model studies are being carried out and a final report from IIT Roorkee is expected very soon. Thereafter, the design consultant M/s Aqua green Engineering Management Pvt. Ltd. (AEMPL) will optimize the drawings and will submit. Detailed project report (DPR) to M/s EPPL. The DPR was to be submitted to PSPCL as soon as it was received from the consultant after finalization of model studies.

c. That the cost of construction of spillway was initially estimated by M/s AEMPL as ₹12.25 crore based on the preliminary design specifications. However, based on further detailed topographic survey, geological investigations, model studies (on the basis of discussion with IIT-R), construction of ungated surface spillway has been re-estimated tentatively as ₹15.00 crore. The estimates under above head are on indicative only and actual expenses may vary.
d. To accommodate the proposed ungated surface spillway, dam cutting has been restricted above the FRL (EL. 2543m), therefore construction activities would run parallel to energy generation and would not require any plant shutdown.
e. That the Commission vide Order dated 20.12.2016 has directed EPPL to submit relevant technical and commercial details as required under Punjab State Electricity Regulatory Commission Tariff Regulations justifying the additional capital investment including Project Report along with Cost Benefit Analysis of chute spillway for consideration of such expenditure on merits by the Commission as and when claimed by EPPL in subsequent years.
f. As the expenses for construction of chute spillway is expected to be incurred during FY 2017-18 and FY 2018-19 and the same is expected to be capitalized in FY 2018-19 on completion of the works, the same is being claimed as additional capitalization during the control period. The project report containing the entire

technical and commercial details along with cost benefit analysis will be submitted for consideration of the Commission as soon as it is received from M/s AEMPL.

Accordingly, the tentative amount of ₹15.00 crore over & above the approved deferred provisions under the head "Chute Spillway" was expected to be capitalised during FY 2018-19.

iii. Staff rest room at the Dam complex:

a. Since COD for dam operations and safety requirements, operational staffs are posted 24 x 7 in three shift basis, and during winters, these staffs were staying in the staff accommodation constructed on the right bank of the dam complex. However, due to heavy rain and rolling boulders falling from the higher reaches of hill slopes these structures were extensively damaged. The project colony & power house complex are located approx. 25km & 12Km away from the Dam Complex. The project area witnesses heavy snow fall due to which the dam complex remains completely inaccessible for more than 4-5 months (December – March) every year. To approach dam complex during this period, one has to walk down along thick snow covered areas, and diesel & other necessary items required are to be shifted by head load.

b. Operation staff rest rooms at dam complex is an arrangement necessitated by the extreme weather conditions and is not any kind of residential facility.

Temporary arrangements at dam top have been made for the operating staff to regulate dam inflows / outflow, and monitor the hill slopes continuously during the adverse weather conditions. The initial estimated cost of the Rest rooms is ₹0.30 crore.

c. Construction work for this facility was started in the year 2014 within the premises of the project, but was stopped due to the objections raised by the locals. Since then the issue was pending in the district court, Kullu and no construction activities could be resumed. The Hon'ble Court decided in the FY 2016-17 that the disputed land belongs to EPPL for which the land owner was paid compensation also.

d. After the decision by the Hon'ble Court in favour of EPPL, construction activities were resumed and foundation / plinth beams and columns of the staff rest rooms could be casted before the onset of winter season.

e. In view of the safety of operational staffs, construction of accommodation facility at safe location with additional protection measures has been proposed. Additional protection measures, such as, high strength boulder traps of adequate height and length away from the rest rooms towards the hill slope and RCC wall fencing etc. are proposed to safeguard the men & material from the falling rock fragments & boulders. Moreover, due to heavy tourist inflow during past few years and construction of upstream roads and construction activities upstream, more number of security staff and other staff are posted at dam site, necessitating more number of rest rooms. In view of the additional protection measures & increase in the number of rest rooms, the estimate has increased to ₹0.80 crore which is proposed to be incurred during FY 2017-18.

f. It is also submitted that the Commission vide Order dated 20.12.2016 has held that expenses under the said head towards rest room requirement at dam site shall be considered on merits as and when claimed by EPPL in subsequent years.

   Accordingly, the amount of ₹0.80 crore over & above the approved deferred provisions under the head “Staff Rest Room at Dam Complex” is expected to be incurred during FY 2017-18.

iv. Purchasing of Runner & nozzle Assembly:

a. Commercial Operation Date (COD) of the Project was declared on 12.07.2012 after successful completion of trial run and other performance tests. It is a high head scheme (603m).

b. 100MW Malana – II Scheme is a high head scheme with 603 m head and located at higher altitude of >2500 m in Himalayan Region. It has been observed that Pelton turbine runners and nozzles got eroded frequently and need repair and maintenance on periodic basis. The erosion is more prominent if head is high or the project is near to glaciers. After each monsoon period the turbine runners are replaced with refurbished runners for safe, reliable and efficient operation of the Plant. The damaged and eroded runners and nozzles are repaired by welding, subsequent heat treatment, grinding and hard re-coating

c. It is also common that after multiple repairs and coating of runners and nozzles, these are replaced as after multiple repairs, the root of the runner and tip of nozzles become week. Further, due to repeated weld repairs / heat treatment being carried out year after year the profile of the runners and nozzles are getting affected resulting into decreased efficiency and performance. Malana – II HEP also witnessed similar phenomena wherein peliton turbine and nozzles got eroded and repaired on periodic basis.
d. During recent years it is also observed that the root areas of some of the runner buckets have also developed damages, including cracks in some of buckets. It is pertinent to mention that repeated repairs in the root area / cracks of these casted runners may lead to sudden bucket failure during the operation in the coming years. In view of the damages observed in the existing runners and nozzles and to avoid the generation losses, it found prudent to replace runners and nozzles in a phased manner for the both the 50 MW capacity machines starting from FY 2017-18 with new runners and nozzles respectively.
e. In the FY 2017-18, one runner assembly will be replaced by a new forged and hard coated runner

assembly and similarly in FY 2018-19, only one runner assembly will be replaced by new forged and hard coated runner assembly. The cost of each runner assembly along with installation services is estimated as ₹5.50 crore each.

f. To maximize the generation and for safe and efficient operation of the Plant, it is planned to purchase one set of new designed runner along with new designed nozzle assemblies. The estimated cost of one runners & one nozzle assemblies is ₹12.00 crore which is proposed to be incurred during FY 2019-20.

Accordingly, the amount of ₹23 crore over & above the approved deferred provisions under the head "Purchase of Runner & Nozzle Assembly" is expected to be incurred during FY 2017-18 (₹5.50 crore), FY 2018-19 (₹5.50 crore) and FY 2019-20 (₹12.00 crore).

In view of the above, the year wise details of the expenses, over & above approved deferred provisions which are expected to be capitalized during the control period i.e. during FY 2017-18 to FY 2019-10 is tabulated below:

S.N.	Head	FY 2017-18	FY 2018-19	FY 2019-20	Total (₹ In Crores)
1.	Land Lease claimed by GoHP	4.10	-	-	4.10
2.	Chute spillway	-	15.00	-	15.00
3.	Staff rest room at Dam complex	0.80	-	-	0.80
4.	Purchasing of Runner & Nozzle Assembly	5.50	5.50	12.00	23.00
TOTAL		**10.40**	**20.50**	**12.00**	**42.90**

It is requested that the Commission may consider the above amount of ₹42.90 crore towards additional capitalization over and above the approved deferred provisions while approving the Capital Investment Plan. However, the estimates under above heads are on indicative only and actual expenses may vary.

h. Total Capital Expenditure for the MYT Control Period:

EPPL proposes to undertake the above capital expenditure totaling ₹52.04 crore during the first Control Period (FY 2017-18 to FY 2019-20) as per the following table:

(₹ in Crore)

S.No	Head	FY 2017-18	FY 2018-19	FY 2019-20	Total
A	Deferred Provisions already approved by the Hon'ble PSERC	4.66	1.49	2.99	9.14
B	Additional Capitalization over and above the approved deferred provisions.	10.40	20.50	12.00	42.90
Grand Total (A+B)		**15.06**	**21.99**	**14.99**	**52.04**

The Hon'ble Commission may consider the above amount of ₹52.04 crore towards additional capitalization under various heads while approving the Capital Investment Plan. However, as above estimates are indicative only and actual expenses may vary. Regulation 19 of the Punjab State Electricity Regulatory Commission MYT Regulations, 2014 provides the normative debt: equity ratio as 70:30. EPPL requests the Commission to consider the same.

14.9 That Regulation 10.3 of the Punjab State Electricity Regulatory Commission MYT Regulation, 2014 states that:

"The business plan for generation business shall contain among other things the following; (i) Generation forecasts; (ii) Future Performance targets; (iii) Proposed efficiency improvement measures; (iv) saving in operating costs; (v) Financial statements (which includes balance sheet, profit and loss statement and cash flow statement)- current and projected (at least for the control period duration) along with basis of projections; (vi) Any other new measures to be initiated for the generation business, e.g. automation, IT initiatives etc.".

The Business Plan is intended to give a comprehensive present picture of the company, future targets, possible improvements in efficiency, tentative financial projections of the Company for the Control Period etc. Accordingly, EPPL has filed this Business Plan for the MYT Control Period from FY 2017-18 to 2019-20, based on the available data for previous years and future projections which have been prepared assuming the generation targets, determination of Annual Fixed costs by the Commission as per Punjab State Electricity Regulatory Commission MYT Regulations, last available audited accounts i.e. audited accounts of FY 2015-16 and various other relevant assumptions.

EPPL is a special purpose vehicle for 100 MW Malana –II Hydroelectric Project situated in district Kullu, Himachal Pradesh. The project has achieved the commercial operation on 12th July, 2012. The entire power generated by the project after deducting the auxiliary consumption and free power to Government of Himachal Pradesh is being sold to Punjab State Power Corporation Limited (PSPCL) through PTC.

Thus, the only source of revenues for EPPL is revenue from the sale of power from the 100 MW Malana – II project. The tariff for the Project is being determined by the Commission as per the applicable Punjab State Electricity Regulatory Commission regulations. EPPL is also anticipating some expenses towards additional capitalization during the control period i.e. during the FY 2019-20. The details and justification for the same are given in the Capital Investment Plan submitted along with this petition.

The details as required under the Regulation 10.3 are given as under:

i. Generation Forecasts& Future Performance Targets:

The design energy of the Project is 403.27 MUs per annum after considering the mandatory discharge. The Auxiliary consumption is estimated to be 1.2% of the design energy as per CERC Tariff Regulations. These assumptions and facts were also recognized by Hon'ble PSERC vide its order dated 27.11.2013 and consequential order dated 4.12.2014. It is also submitted that EPPL is required to pay free power royalty to Government of Himachal Pradesh@12% of the generation as per provisions of the Implementation Agreement (IA) for upto12 years from the COD of the Project and @18% from 13th year from COD till 40th years.

In view of the above, EPPL's target generation details during the control period i.e. FY 2017-18 to FY 2019-20 is tabulated below:

Particulars	FY 2017-18	FY 2018-19	FY 2019-20
Gross Generation (MUs)	403.27	403.27	403.27
Less: Auxiliary Consumption @ 1.2%	4.84	4.84	4.84
Less: 12% Free Power to GoHP	47.81	47.81	47.81
Net Saleable Energy (MUs)	**350.62**	**350.62**	**350.62**

Based on the four years actual generation data the design energy of the project can be reviewed as per Central Electricity Regulatory Commission Regulations by appropriate authority. Accordingly, upon completion of 4 years after commercial operation of the Project and subsequent requisite review, the design energy may change which may result into change in the targeted generation and saleable energy.

ii. Savings in Operating Costs:

That the operating cost of a hydro generating station are majorly on account of Employee Cost, Repair &Maintenance Cost and Administrative Cost. Employee Cost is expenses towards employees of the Company, Repair & Maintenance Cost is towards the periodic unavoidable repair expenses of the project components and Administrative Expenses is towards the periodic mandatory other expenses such as Insurance Premium, Professional Consultants charges, Travelling Expenses, Rents, Legal Charges including Regulatory Fees, Auditors' Fee and other recurring expenses. It may be seen that all operating costs are fixed in nature and do not consist any variable component. Accordingly, EPPL does not foresee any reduction in the operating cost during the years under control period i.e. during FY 2017-18 to FY 2019-20. However, the same may vary on year on year basis based on market conditions, industrial practice and site specific conditions.

iii. Financial Statements for the last audited balance sheet:

The following paras give the detailing of the financial parameters of the Profit & Loss Account, Balance Sheet and Cash Flow Statement as per the last audited books of accounts of EPPL i.e. FY 2015-16.

a. Profit & Loss Account based on the audited books of accounts for the last audited financial year i.e. 2015-16 is tabulated below:

(₹ in Crs.)

	Particulars	**Year ended March 31,2016**
1	Revenue from operations	137.08
2	Other income	0.23
3	**Total Revenue (1+2)**	**137.31**
4	**Expenses**	
	Employee benefits expense	7.20
	Finance costs	74.18
	Depreciation and amortization	46.76
	Operating and other expenses	30.51
	Total expenses	**158.65**
5	**Profit /(Loss) before exceptional items and tax (3-4)**	**(21.34)**
6	Exceptional item	
7	**Profit before tax (5-6)**	**(21.34)**
8	**Tax expenses :**	
	Current Tax (MAT)	-
	Tax Pertains to earlier years	0.39

	Deferred tax	(1.44)
	Total tax expenses	**(1.05)**
9	**Profit / (Loss) for the year (7-8)**	**(20.29)**
10	**Earnings per Share -(face value of Rs.100 each)**	
	- Basic and diluted	(6.38)

b. Balance Sheet based on the audited books of accounts for the last audited financial year i.e. 2015-16 is tabulated below:

Particulars	**As at 31st March, 2016**
I. EQUITY AND LIABILITIES	
1 SHAREHOLDERS' FUNDS	
A) Share Capital	318.10
B) Reserves & Surplus	(137.42)
2 NON CURRENT LIABILITIES	
A) Long Term Borrowings	412.99
B) Deferred tax liability (net)	67.97
C) Long Term Provisions	0.51
3 CURRENT LIABILITIES	
A) Short Term Borrowings	-
B) Trade Payables	27.30
C) Other Current Liabilities	81.77
D) Short Term Provisions	14.33
	123.40
Total	**785.55**
II. ASSETS	
1 NON CURRENT ASSETS	
A) Fixed Assets	
i) Tangible Assets	774.94
ii) Intangible Assets	0.00
iii) Capital Work in Progress	
B) Long Term Loans & Advances	2.18
C) Other Non-Current Assets	0.84
	777.96
CURRENT ASSETS	
A) Inventories	0.95
B) Trade Receivables	-
C) Cash & Cash Equivalents	4.93

D) Short Term Loans & Advances	0.36
E) Other Current Assets	1.35
	7.59
Total	**785.55**

c. Cash Flow Statement based on the audited books of accounts for the last audited financial year i.e. 2015-16 is tabulated below:

(₹ in Crore)

Particulars		**As at 31st March 2016**
A.	Cash flow from operating activities	
	Profit/ (Loss) before tax	(21.34)
	Adjustments for :	
	Depreciation	46.76
	Interest on deposits with banks	(0.10)
	Other interest income	(0.07)
	Finance Costs	74.18
	Exceptional item (Refer note no:26)	
	Operating profit before working capital changes	**99.44**
	Changes in working capital:	
	Adjustments for (increase) / decrease in operating assets :	
	Inventories	(0.50)
	Trade receivables	160.39
	Long term loans and advances	(2.18)
	Short term loans and advances	4.47
	Other non-current assets	(0.06)
	Other current assets	(0.11)
	Adjustments for increase/(decrease) in operating liabilities :	
	Long term provisions	0.10
	Other Non-current liabilities	(0.15)
	Trade payables	8.08
	Other current liabilities	(28.61)
	Short term provisions	0.22
	Cash generated from operations	241.09
	Net income tax paid	(8.41)
	Net cash flow from operating activities	**232.68**
B.	Cash flow from investing activities	
	Purchase of fixed assets	(3.50)

	Bank deposits -having maturity period of more than 12 months	0.00
	Interest received	0.16
	Net cash flows used in investing activities	**(3.34)**
C.	Cash flow from financing activities	
	Repayment of short term borrowings	(20.00)
	Repayment of long term borrowings	(83.34)
	Proceeds from Inter corporate deposits	0.06
	Repayment of inter corporate deposit	(1.85)
	Interest and finance charges paid	(119.36)
	Net cash flow used in financing activities	**(224.48)**
	Net decrease in cash and cash equivalents (A+B+C)	**4.86**
	Cash and Cash Equivalents at the beginning of the year	0.08
	Cash and Cash Equivalents at the end of the year	**4.93**

d. That the O&M expenses were never trued up based on the actual expenses incurred by the Project. The actual O&M Expenses in the Project have been higher than the approved/true up O&M Expenses. Further, in some years, while truing up the O&M Expenses, criteria of lower of normative or actual was adopted by the Commission which is not as per the practice being followed by the Regulatory Regime. This has resulted into direct reduction on the ROE portion which otherwise has already been taken a hit consequent to the approval of reduced Project Cost vis-à-vis the actual Project Cost by around ₹ 130 crore. In addition to above, the delay in realization of the approved Annual Fixed Costs from PSPCL made the situation worse and resulted into delay in payments of lenders dues, statutory dues, employees' dues and other mandatory expenses leading to payments of extra interest towards delayed and penal interest on such payments. Thus, it is requested that actual O&M Expenses should be true-up on the principles being followed by Central Electricity Regulatory Commission. It is also submitted that the only source of funds for EPPL is PSPCL as it is selling the entire power generated from the Project to the State of Punjab through PTC. Thus, timely release of payments by PSPCL will also help in improving the financial position of the company. It is anticipated that during the control period the payments shall be released in time by PSPCL and accordingly the financial statements for the Control Period have been prepared. The financial statements for the Control Period i.e. FY 2017-18 to FY 2019-20 are based on the PSERC MYT Regulations, 2014 and last available audited accounts i.e. audited accounts of FY 2015-16.

14.10 Regulation 14 of Punjab State Electricity Regulatory Commission MYT Regulations, 2014 specifies the Components of Tariff for generation business as under:

"14. COMPONENTS OF TARIFF FOR GENERATION BUSINESS

….

…..

14.3. The Fixed Cost of a generating plant (thermal or hydro) shall include the following elements:

a. Return on Equity;

b. Interest and Finance charges on Loan Capital;

c. Interest Charges on Working Capital;

d. Depreciation;

e. Operation and Maintenance Expenses;

f. All statutory levies and taxes, if any.

i. That the Commission vide Order dated 20.12.2016 has approved the capital cost of the Project amounting to Rs₹.838.30 crore. In the said order the Commission held that the additional capital expenditure towards the balance deferred provisions and the additional capital expenditure over and above the approved deferred provisions, would be considered on merits when claimed as actual expenditure by EPPL on submission of audited accounts for the same.

a. That as per the audited accounts for FY 2015-16, EPPL has incurred an amount of ₹3.34 crore (i.e. ₹3.27 crore out of approved deferred provisions + ₹0.07 crore over and above deferred provisions) for FY 2015-16 towards additional capitalization. Accordingly, Capital Cost amounting to ₹841.64 crore (₹838.30 crore + ₹3.34 crore) has been considered for the FY 2015-16 and the Capital Cost has been considered as the capital base for the purpose of control period in the instant petition.

b. Gross Fixed Assets for the control period has been estimated by taking into account the projected capital investment and addition of GFA during the Control period as per Capital Investment Plan. Summary of the same is reproduced below for ready reference:

(₹. in Crore)

A.	**Deferred Provisions already approved by the Hon'ble PSERC under various Orders:**				
S.N.	**Head**	**FY 2017-18**	**FY 2018-19**	**FY 2019-20**	**Total**
1	Land (Compensation to land owners)	0.45	-	-	0.45
2	Buildings (balance works towards construction of Project colony)	1.90	-	-	1.90
3	Communications (blacktopping of approach roads and procurement of snow cleaning equipment, earth moving equipment etc.)	-	1.30	2.55	3.85
4	Escalation (Escalation on balance infrastructure works)	0.50	0.19	0.44	1.13
5	Dam Intake & Desilting Chamber (procurement and installation of TRCM)	1.76	-	-	1.76
6	Transmission Line & Terminal Equipment (final invoice towards transmission line and substation works)	-	-	-	-
7	Miscellaneous (towards procurement of Office Equipment; Tools & Tackles /Machinery and Computers)	0.05	-	-	0.05
	Sub Total (A)	**4.66**	**1.49**	**2.99**	**9.14**
B.	**Additional Capital Expenditure over and above the approved deferred provisions:**				
S.N.	**Head**	**FY 2017-18**	**FY 2018-19**	**FY 2019-20**	**Total**
1	Land: Lease claimed by GoHP	4.10	**-**	**-**	4.10
2	Chute Spillway		15.00		15.00
3	Staff rest room at Dam complex	0.80			0.80
4	Purchasing of Runner & nozzle Assembly	5.50	5.50	12.00	23.00
	Total - B	**10.40**	**20.50**	**12.00**	**42.90**
	Grand Total (A+B)	**15.06**	**21.99**	**14.99**	**52.04**

The capital cost for each of the year during controlling period is calculated/assumed as per the detail given below:

Gross Fixed Assets for the Control Period

(₹. in Crore)

Particulars	FY 2017-18 Projections	FY 2018-19 Projections	FY 2019-20 Projections
Opening Gross Block of assets	841.64	856.70	878.69
Additional capital expenditure during the FY*	15.06	21.99	14.99
Closing Gross Block of assets	856.70	878.69	893.62

ii. Return on Equity:

a. Regulation 20 of Punjab State Electricity Regulatory Commission MYT Regulations, 2014 provides for recovery of Return on Equity which is reproduced hereunder:

"20. RETURN ON EQUITY

Return on Equity shall be computed at the rate of 15.5% on the paid up equity capital determined in accordance with regulation 19:

Provided that assets funded by consumer contributions, capital subsidies/Govt. grants shall not form part of the capital base for the purpose of calculation of Return on Equity."

Regulation 19 of Punjab State Electricity Regulatory Commission MYT Regulations, 2014 provides for Debt-Equity Ratio which is reproduced hereunder:

"19. DEBT EQUITY RATIO

19.1. Existing Projects - In case of the capital expenditure projects having Commercial Operation Date prior to the effective date, the debt-equity ratio shall be as allowed by the Commission for *determination of tariff for the period prior to the effective date:*

Provided that the Commission shall not consider the increase in equity as a result of revaluation of assets (including land) for the purpose of computing return on equity."

19.2. New Projects – For capital expenditure projects declared under commercial operation on or after the effective date:

a. A Normative debt-equity ratio of 70:30 shall be considered for the purpose of determination of Tariff;

b. In case the actual equity employed is in excess of 30%, the amount of equity for the purpose of tariff determination shall be limited to 30%, and the balance amount shall be considered as normative loan;

c. In case, the actual equity employed is less than 30%, the actual debt-equity ratio shall be considered;

d. The premium, if any raised by the Applicant while issuing share capital and investment of internal accruals created out of free reserve, shall also be reckoned as paid up capital for the purpose of computing return on equity subject to the normative debt-equity ratio of 70:30, provided such premium amount and internal accruals are actually utilized for meeting capital expenditure of the Applicant's business.

19.3. Renovation and Modernization: Any approved capital expenditure incurred on Renovation and Modernization including the approval in the Capital Investment plan shall be considered to be financed at normative debt-equity ratio of 70:30. If the actual equity employed is less than 30% then the actual debt equity ratio shall be considered."

b. EPPL has considered additional capitalizations as per Capital Investment Plan submitted in the instant petition for calculating Return on Equity while arriving AFC for the control period. Accordingly, Capital Cost amounting to ₹841.64 crore has been considered as the capital base for the purpose of control period in the instant petition. Based on the MYT Regulation 2014, the total equity eligible for determination of tariff and the Return on Equity @15.5% for the each of the year during control period as shown in table below:

(₹ in Crore)

Particulars	**FY 2017-18 Projections**	**FY 2018-19 Projections**	**FY 2019-20 Projections**
Opening Capital Cost	841.64	856.70	878.69
Additional Capital expenditure	15.06	21.99	14.99
Closing Capital Cost	856.70	878.69	893.68
Equity (30% of the Opening capital cost)	252.49	257.01	263.61
Addition during the year (30% of Additional Capital Expenditure)	4.52	6.60	4.50
Closing Balance of Equity	257.01	263.61	268.11
Average Equity(Considered for computing ROE)	254.75	260.31	265.86

Particulars	FY 2017-18 Projections	FY 2018-19 Projections	FY 2019-20 Projections
Rate of return on Equity	15.5%	15.5%	15.5%
Return on Equity	**39.49**	**40.35**	**41.21**

iii. Regulation 24 of Punjab State Electricity Regulatory Commission MYT Regulations, 2014 provides for Interest on Loan Capital which is reproduced hereunder:

"24. INTEREST ON LOAN CAPITAL

24.1. For existing loan capital, interest and finance charges on loan capital shall be computed on the outstanding loans, duly taking into account the actual rate of interest and the schedule of repayment as per the terms and conditions of relevant agreements. The rate of interest shall be the actual rate of interest paid/payable (other than working capital loans) on loans by the licensee or the State Bank of India Advance Rate as on April 1 of the relevant year, whichever is less.

24.2. Interest and finance charges on the actual loan capital for new investments shall be computed on the loans, duly taking into account the actual rate of interest and the schedule of repayment as per the terms and conditions of relevant agreements. The rate of interest shall be the actual rate of interest paid/payable (other than working capital loans) on loans by the licensee or the State Bank of India Advance Rate as on April 1 of the relevant year, whichever is less.

24.3. The repayment for each year of the tariff period shall be deemed to be equal to the depreciation allowed for the corresponding year. In case of de-capitalisation of assets, the repayment shall be adjusted by taking into account cumulative depreciation made to the extent of de-capitalisation.

24.4. The Commission shall allow obligatory taxes on interest, finance charges (including guarantee fee payable to the Government) and any exchange rate difference arising from foreign currency borrowings, as finance cost.

24.5. The interest on excess equity treated as loan shall be serviced at the weighted average interest rate of actual loan taken from the lenders.”

The interest expenditure on account of long-term loans depends on the outstanding loans, repayments, and prevailing interest rates on the outstanding loans. EPPL has considered the estimated outstanding loans as on March 31, 2017 as opening loan balance for FY 2017-18. The proposed additional capitalization/capital investment has been considered during the Control period. The interest expenses have been computed considering repayment of actual loans and applicable interest rate on such loans.

iv. That the opening Capital Cost for FY 2017-18 is ₹841.64 crore and ₹15.06 crore is proposed to be incurred during FY 2017-18, ₹21.99 crore is proposed to be incurred during FY 2018-19 and ₹14.99 crore is proposed to be incurred during FY 2019-20 towards additional capitalization as per Capital Investment Plan. The Interest and Finance Charges have been approved for FY 2014-15 by the Commission vide Order dated 20.12.2016 on the gross closing loan of ₹475.75 crore. The closing loan of ₹395.87 crore for FY 2016-17 is considered as the opening balance of gross normative loan for FY 2017-18. EPPL has considered additional capitalizations as per Capital Investment Plan submitted in the instant petition for calculating Interest on Long Term Loan. Accordingly, Capital Cost amounting to ₹841.64 crore has been considered as the capital base for the purpose of control period in the instant Petition. As per Punjab State Electricity Regulatory Commission Regulations, the computation of interest on loan is based on the following:

a. The opening gross normative loan as on 01.04.2017 has been considered.
b. The weighted average rate of interest has been worked out on the basis of the actual loan repayment schedule.
c. The repayment for the control period i.e. FY 2017-18 to FY 2019-20 has been considered equal to the depreciation allowed for that year.
d. The interest on loan has been calculated on the normative average loan of the year by applying the weighted average rate of interest.

Based on the actual interest paid/payable by EPPL under various project loan accounts the weighted average rate of interest is determined for the control period @ 13.77% p.a., 13.80% p.a. and 13.87% p.a. for FY 2017-18, 2018-19 & 2019-20 respectively. The SBI advance rate as on 01.04.2016 is 14.05%. In view of the above and as per PSERC Regulations the Interest on term loans is calculated at table below:

(₹ in Crore)

Particulars	**FY 2017-18 Projections**	**FY 2018-19 Projections**	**FY 2019-20 Projections**
Opening Capital Cost	841.64	856.70	878.69
Additional Capital Expenditure	15.06	21.99	14.99
Closing Capital Cost	856.70	878.69	893.68
Gross Normative Loan on Opening Capital Cost (A)	589.15	599.69	615.08
Less: Cumulative Repayment (B)	192.66	233.01	273.89
Net Loan Opening (A-B)=C	396.49	366.69	341.19
Less: Repayment during the year (D)	40.34	40.089	41.98
Addition due to additional Capitalization during the Year (‘E)	10.54	15.39	10.49
Closing Loan Balance of Year (C-D+E)	366.69	341.19	309.70
Average Loan	381.59	353.94	325.45
Weighted Average Rate of Interest on Loan	13.77%	13.80%	13.87%
Interest on Loan	**52.56**	**48.84**	**45.13**

14.11 Regulation 34.1 (c) of Punjab State Electricity Regulatory Commission MYT Regulations, 2014 provides for Components of Interest on Working Capital Loan in respect of Hydro based Generating stations which is reproduced hereunder:

“34. INTEREST ON WORKING CAPITAL

34.1.Components of Working Capital

a……..
b……..
c. Hydro based generating stations: The Working Capital shall cover the following:
i. Maintenance spares @ 15% of operation and maintenance expenses;
ii. Operation & maintenance expenses for 1 month;
iii. Receivables equivalent to 2 months of fixed cost.

34.2 Rate of Interest

The rate of Interest on Working Capital shall be as per regulation 25.1”

Further, Regulation 25.1 as amended vide 03.02.2016 determines the rate of interest on working capital & security deposit which is reproduced hereunder:

"25. RATE OF INTEREST ON WORKING CAPITAL & SECURITY DEPOSIT

25.1. The rate of interest on working capital shall be equal to the weighted average rate of interest paid/ payable on loans by the licensee/generating company/SLDC or the State Bank of India Advance Rate as on April 1 of the relevant year, whichever is less. The interest on working capital shall be payable on normative basis notwithstanding that the licensee/generating company/SLDC has not taken working capital loan from any outside agency or has exceeded the working capital loan amount worked out on the normative figures."

i. As per Punjab State Electricity Regulatory Commission Regulations, the rate of interest on working capital shall be equal to the weighted average rate of interest paid/ payable on loans by the generating company or the State Bank of India Advance rate as on April 1 of the relevant year, whichever is less. The interest on working capital is payable on normative basis notwithstanding that the generating company has not taken working capital loan from any outside agency or has exceeded the working capital loan amount worked out on normative basis.

ii. The Weighted Average Rate of Interest is computed @ 13.77% p.a, 13.80% p.a& 13.87% p.a for FY 2017-18, FY 2018-19 & FY 2019-20. The State Bank of India Advance Rate as on 01.04.2016 is 14.05 % p.a.

iii. EPPL has calculated the interest on working capital for MYT Control Period as per Punjab State Electricity Regulatory Commission MYT Regulations 2014. Interest on Working capital is projected for control period from FY 2017-18 to FY 2019-20 by applying the rate of interest of @ 13.77 % p.a., 13.30% p.a.& 13.87 % p.a. on components of Working capital i.e. (maintenance spares @ 15% of O&M expenses; O&M expenses for one month and Receivables @ 2 month Annual Fixed Cost) as given in table below:

(₹ in Crore)

S.No	Particulars	FY 2017-18 Projections	FY 2018-19 Projections	FY 2019-20 Projections
1	Maintenance Spares (15% of the O&M Expenses)	6.25	6.71	7.23
2	Receivables (Two months fixed cost)	31.40	31.58	31.92
3	O&M Expenses for one month	3.47	3.73	4.02
4	Total Working Capital	41.12	42.02	43.17
5	Rate of interest	13.77%	13.80%	13.87%
6	**Interest on Working Capital**	**5.66**	**5.80**	**5.99**

14.12 As regards the Depreciation, Regulation 21 of Punjab State Electricity Regulatory Commission MYT Regulations, 2014 has been amended vide notification dated 03.02.2016 as under:

"21. Depreciation:
For the purpose of tariff determination, depreciation shall be calculated in the following manner:

21.1. The value base for the purpose of depreciation shall be the capital cost of the assets admitted by the Commission:

Provided that land other than the land held under lease and the land for reservoir in case of hydro generating station shall not be a depreciable asset and its cost shall be excluded from the capital cost while computing depreciable value of the asset;

Provided further that depreciation shall be calculated after deduction of consumer contributions, capital subsidies/ Government grants.

21.2. The cost of the asset shall include additional capitalization.

21.3. The cost shall include foreign currency funding converted to equivalent rupees at the exchange rate prevalent on the date when foreign currency shall actually be availed but not later than the date of commercial operation.

21.4. Depreciation for generation and transmission assets shall be calculated annually as per straight line method over the useful life of the asset at the rate of depreciation specified by the Central Electricity Regulatory Commission from time to time.

21.5. Depreciation for distribution assets and other assets not specified by CERC shall be at the rates notified by the Commission:

Provided that the total depreciation during the life of the asset shall not exceed 90% of the original cost;

Provided that the remaining depreciable value as on 31st March of the year closing after a period of 12 years from date of commercial operation/ put in use of the asset shall be spread over the balance useful life of the assets;

Provided further that in case of hydro generating stations, the salvage value shall be as provided in the agreement signed by the developers with the State Government for creation of the site.

21.6. Depreciation shall be chargeable from the first year of commercial operation/asset is put in use. In case of commercial operation of the asset/put in use of asset for part of the year, depreciation shall be charged on pro rata basis."

According to above said provisions, depreciation shall be calculated annually as per straight line method over the useful life of the asset at the rate of depreciation specified by the Central Electricity Regulatory Commission from time to time. EPPL has estimated depreciation by applying the above said provisions on average GFA excluding depreciation on the land. EPPL has considered additional capitalizations as per Capital Investment Plan submitted in the instant petition for calculating Interest on Long Term Loan. Accordingly, Capital Cost amounting to ₹841.64 crore has been considered as the capital base for the purpose of control period in the instant petition. The depreciation charges for the control period are given in the following table:

(₹ in Crore)

Particulars	**FY 2017-18 Projections**	**FY 2018-19 Projections**	**FY 2019-20 Projections**
Opening Gross Fixed Assets (Excluding Land Cost)	829.07	839.58	861.57
Additional Capitalization (Excluding Land Cost)	10.51	21.99	14.99
Closing Gross Fixed Assets	839.58	861.57	876.56
Average Gross Fixed Assets	834.33	850.58	869.07
Rate of Depreciation	4.84%	4.81%	41.83%
Depreciation Charges	**40.34**	**40.89**	**41.98**

14.13 Regulation 26 of the Punjab State Electricity Regulatory Commission MYT Regulations, 2014 and its subsequent amendment vide 03.02.2016 specifies as under:

"26. OPERATION AND MAINTENANCE (O&M) EXPENSES:

26.1. The O&M expenses for the nth year of the Control Period shall be approved based on the formula shown below:

$O\&M_n = (R\&M_n + EMP_n + A\&G_n) \times (1-X_n)$

Where,

$R\&M_n$– Repair and Maintenance Costs of the Applicant for the nth year;

EMP_n – Employee Cost of the Applicant for the nth year; $A\&G_n$ – Administrative and General Costs of the Applicant for the nth year;

The above components shall be computed in the manner specified below:

(i) $R\&M_n + A\&G_n = K*GFA*(WPI_n/WPI_{n-1})$

Where,

'K' is a constant (expressed in %) governing the relationship between R&M and A&G expenses and Gross Fixed Assets (GFA) for the nth year. The value of "K" will be specified by the Commission in the MYT order.

'GFA' is the average value of the Gross Fixed Assets of the nth year.

'WPI_n' means the average rate (on monthly basis) of Wholesale Price Index (all commodities) over the year for the nth year.

(ii) $EMP_n = (EMP_{n-1})*(INDEX_n/INDEX_{n-1})$

$INDEX_n$ - Inflation Factor to be used for indexing the Employee Cost.

This will be a combination of the Consumer Price Index (CPI) and the Wholesale Price Index (WPI) of nth year and shall be calculated as under:-

$INDEX_n = 0.50*CPI_n + 0.50*WPI_n$

'WPI_n' means the average rate (on monthly basis) of Wholesale Price Index (all commodities) over the year for the nth year.

'CPI_n' means the average rate (on monthly basis) of Consumer Price Index (Industrial workers) over the year for the nth year.

……………………………..

(iii) X_n is an efficiency factor for nth year

The value of X_n shall be determined by the Commission in its first MYT order for the Control Period."

14.14 Further, Regulation 8.1 & 8.2 of Punjab State Electricity Regulatory Commission MYT Regulations, 2014 specifies the Baseline Value as under:

"8.1. Baseline Values

(a) The baseline values for the control period shall be determined by the Commission and the projections for the Control Period shall be based on these figures.

(b) The baseline values shall be inter-alia based on figures approved by the Commission in the past, latest audited accounts, estimate of the expected figures for the relevant year, industry benchmarks /norms and other factors considered appropriate by the Commission."

That the baseline values for the control period shall be determined by the Commission based on figures approved by the Commission in the past, latest audited accounts, estimate of the expected figures for the relevant year, industry benchmarks /norms and other factors etc. For the purpose of filing the instant petition, EPPL has adopted the base values based on latest audited accounts available i.e. FY 2015-16 for calculating the O & M expenditure i.e. Employee Costs, Repair and Maintenance Costs and Administrative and General Costs. The particulars of last year audited accounts for the FY 2015-16 towards O & M expenditure are given in the table herein below:

(₹ in Crores)

Particulars of Operation & Maintenance Expenses	FY- 2015-16
Employee Cost	7.20
Repair & Maintenance Expenses	18.25
Administrative & General Expenses	12.26

i. As per MYT Regulation 26.1 (iii), Efficiency Factor (X_n) will be determined by the Commission in its first MYT Order for the Control Period which is yet to be determined by the Commission. Therefore, no value has been considered towards efficiency factor for the purpose of filing the instant petition.

ii. Employee cost includes the cost incurred on past and present employees of the company. The cost of working employees includes salary, dearness allowance payable to them and other allowances such as HRA, LTC, medical reimbursement etc. In the case of past employees, EPPL has to discharge liabilities towards gratuity and leave encashment benefits etc. as applicable.

iii. Escalation index has been computed as per provisions of Punjab State Electricity Regulatory Commission

MYT Regulations, 2014 considering the WPI index (available till February, 2017 and projected for the month of March, 2017) and CPI Index (available till January, 2017 and Projected for the month of February & March, 2017), as shown in the following Table:

Period	FY 2015-16	FY 2016-17	Increase/Decrease
CPI Index (April- March)	265.00	275.83	104.09%
WPI Index (April- March)	176.70	183.06	103.61%
CPI:WPI Index (50:50)	220.83	229.45	103.85%

Accordingly, the inflation factor for the Control Period as per Punjab State Electricity Regulatory Commission MYT Regulations, 2014 works out to 3.85 %. This is grossly inadequate considering even the average rise in salaries and other expenses. The Hon'ble Commission would appreciate that in any industry with poachable talent, it is important salaries are raised at least at par with the industry average to retain employees. Considering the fact that Employee Expenses form the biggest chunk in the overall operational expenditure, a mere 3.85% hike in Employee Expenses is grossly insufficient to maintain salaries even at industry average for the Control period.

Based on last three full operational years, the average annual escalation in the Employee Cost of EPPL is 38%. EPPL has assumed annual escalation of 20% in Employee Cost during the control period on the amount actually incurred by EPPL towards Employee Cost as per audited accounts for FY 2015-16 viz. ₹7.20 crore. Accordingly, the Employee Cost for the Control Period is shown in below Table:

(₹ in Crore)

Particulars	FY 2017-18 (Projections)	FY 2018-19 (Projections)	FY 2019-20 (Projections)
Employee Cost	10.10	12.12	14.55

iv. R&M expenses and A&G Expenses have been linked to K factor and WPI index. K is the constant (expressed in %) governing the relationship between R&M and A&G Expenses and Gross Fixed Assets. The value of "K" will be specified by the commission in the MYT Order.

For computing K factor, based on the audited account for the previous year, EPPL has analyzed R&M expenses and A&G expenses & GFA, as given in the following table:

(₹ in Crore)

Particulars	FY 2015-16
Opening GFA	838.30
Closing GFA	841.64
R&M Expenses	18.25
A&G Expenses(Excluding Audit Fee & Regulatory Fee.)	11.96
Total of R&M and A&G Expenses	30.21
R&M and A&G Exp. as % of GFA	3.59%
K factor	3.59%

In view of the above, EPPL has considered K factor of 3.59% for each of the year during Control period.

The increase in WPI index works out to 3.61% (available actual till February, 2017 and Projected for the month of March, 2017) as per PSERC MYT Regulations, 2014. Hence, for the purpose of R&M and A&G Expenses, EPPL has considered the escalation index of 3.61% (i.e. average of increase in WPI from FY 2015-16 to FY 2016-17 as per latest data available).

Accordingly, EPPL has projected combined R&M and A&G expenses as under:

(₹. in Crore)

Particulars	**FY 2017-18 Projections**	**FY 2018-19 Projections**	**FY 2019-20 Projections**
Opening GFA	841.64	856.70	878.69
Additional Capitalization	15.06	21.99	14.99
Closing GFA	856.70	878.69	893.68
Average GFA	849.17	867.70	886.19
K Factor	3.59%	3.59%	3.59%
Escalation factor	3.61%	3.61%	3.61%
R & M and A & G Expenses	**31.58**	**32.62**	**33.65**

14.15 Regulation 23 of PSERC MYT Regulations, 2014 provides for income tax which is reproduced hereunder:

*“**23. INCOME TAX***

23.1 Obligatory taxes, if any, on the income of the generating company or the licensee or the SLDC from its core/licensed business shall be computed as an expense and shall be recovered from the customers/consumers:

Provided that tax on any income other than the core/licensed business shall not constitute a pass through component in tariff and tax on such other income shall be payable by the generating company or the licensee or the SLDC.

23.2 Tax on income, if actually liable to be paid, shall be limited to tax on return on equity allowed, excluding incentives.

23.3 Tax on income shall be considered at income tax rate including surcharge, cess etc. as applicable during the relevant year in accordance with the provisions of Income Tax Act, 1961 duly amended from time to time.

23.4 The benefits of tax holiday and the credit for carrying forward losses applicable as per the provisions of the Income Tax Act, 1961 shall be fully passed on to the customers/consumers.

23.5 The penalty, if any, arising on account of delay in deposit of tax or short deposit of tax amount shall not be claimed by the generating company or the licensee or the SLDC, as the case may be."

As per the provisions of the Income Tax Act, EPPL is liable to pay Minimum Alternate Tax (MAT) for the control period during FY 2017-18 to FY 2019-20 @21.913%. Accordingly, the computed value of tax limited to Tax on ROE claimable under PSERC Tariff Regulations and recoverable from PSPCL amounts to ₹8.65 crore for FY 2017-18, ₹8.84 crore for FY 2018-19 & ₹9.03 crore for FY 2019-20.

In view of the above, the Commission is requested to allow the said amount as per Punjab State Electricity Regulatory Commission MYT Regulations 2014.

14.16 The projected Annual Fixed Cost (AFC) for the Control Period is summarized in the following table:

(₹. *in Crore)*

Sl. No	Particulars	FY 2017-18 (Projections)	FY 2018-19 (Projections)	FY 2019-20 (Projections)
1	Return on Equity	39.49	40.35	41.21
2	Interest on Long Term Loan	52.56	48.84	45.13
3	Interest on Working Capital	5.66	5.80	5.99
4	Depreciation	40.34	40.89	41.98
5	Operation and Maintenance Expenses	-	-	-
A	Employee Expenses	10.10	12.12	14.55
B	Repair & Maintenance Expenses and Administration & General Expenses	31.58	32.62	33.65
6	Tax on Income	8.65	8.84	9.03
	Annual Fixed Cost	**188.39**	**189.45**	**191.54**

In view of the above, EPPL requested the Commission to approve the Annual Fixed Cost projected for the control period i.e FY 2017-18 to FY 2019-20 as per Punjab State Electricity Regulatory Commission MYT Regulations, 2014.

14.17 The transmission wheeling charges payable to M/s ADHPL are being claimed by EPPL from PSPCL separately as per the directions of Hon'ble APTEL in its Judgment dated 12.11.2014 as well as Consequential Order dated 04.12.2014 in Petition No. 54 of 2012 & Order dated 31.08.2015 in Petition No. 37 of 2014 passed by the Commission. The Commission vide Order dated 20.12.2016 in Petition No. 55 of 2015 has *inter-alia* directed as below:

"the Commission reiterates its findings in its Order dated 04.12.2014 in petition no. 54 of 2012 (on remand by Hon'ble APTEL vide judgment dated 12.11.2014) in the

matter and directs PSPCL to pay transmission charges as directed in the aforesaid APTEL Order subject to the amount as per invoice(s) raised by AD Hydro Power to EPPL, till the finalization of transmission charges for sharing of transmission line of AD Hydro Power subject to adjustment on the outcome of the appeal pending before the Hon'ble Supreme Court. EPPL shall submit proof of payments to PSPCL regularly. "

14.18 EPPL has prayed for the following:

i. To condone the delay in filing the instant petition by the petitioner.

ii. To admit the petition seeking approval of EPPL's Capital Investment Plan and Business Plan for Control Period from FY 2017-18 to FY 2019-20 in accordance with the PSERC MYT Regulations, 2014.

iii. To approve the Capital Investment Plan and Business Plan for MYT Control Period for FY 2017-18 to FY 2019-20 as proposed by the Petitioner.

iv. To pass any other order/s as the Commission may deem fit and appropriate under the circumstances of the case and in the interest of justice.

15. The submissions made by PSPCL in its reply to the petition, are summarized as under**:**

i. That the claims in the petition are divided under two heads i.e deferred provisions already approved by the Hon'ble Commission under various Orders and projected capital expenditure over and above deferred provisions.

ii. That the petitioner has claimed an amount of ₹9.23 crore as balance of approved deferred provisions. The petitioner itself has stated that the Commission has held in its Order dated 31.08.2015 and 20.12.2016 that such deferred provisions would be considered on merits when claimed as actual expenditure by the petitioner on submission of audited accounts for the same. Therefore, it is not justified of the petitioner to still make the same claims.

iii. That additional capitalisation is permissible to be allowed only under specified circumstances which are provided for in the Regulations. The Commission, with respect to the generation norms and parameters, have adopted the Regulations of the Central Commission. The tariff determination for all generating stations by the Commission is by adopting the Regulations of the Central Commission.

iv. That the Tariff Regulations, 2014 of the Central Commission, with regard to additional capitalisation provide as under:

14. Additional Capitalisation and De-capitalisation:

(1) The capital expenditure in respect of the new project or an existing project incurred or projected to be incurred, on the following counts within the original scope of work, after the date of commercial operation and up to the cut-off date may be admitted by the Commission, subject to prudence check:

(i) Undischarged liabilities recognized to be payable at a future date;

(ii) Works deferred for execution;

(iii) Procurement of initial capital spares within the original scope of work, in accordance with the provisions of Regulation 13;

(iv) Liabilities to meet award of arbitration or for compliance of the order or decree of a court of law; and

(v) Change in law or compliance of any existing law:

Provided that the details of works asset wise/work wise included in the original scope of work along with estimates of expenditure, *liabilities recognized to be payable at a future date and the works deferred for execution shall be submitted along with the application for determination of tariff.*

v. That in terms of the above the additional capitalisation is permitted only if it falls within the 5 parameters specified in Regulation 14. Further, the additional capitalisation is to be allowed only after the commercial operation date and up to the cut-off date and the cut-off date is defined in the Regulations as under:

(13) ***"Cut-off Date"*** *means 31st March of the year closing after two years of the year of commercial operation of whole or part of the project, and in case the whole or part of the project is declared under commercial operation in the last quarter of a year, the cutoff date shall be 31st March of the year closing after three years of the year of commercial operation:*

vi. That the petitioner has to first establish that its claims are within the above provisions of the Regulations. Moreover, the petitioner cannot make the same claims in the truing up petition for 2015-16 and the present petition. The expenses like construction of buildings, escalation works and purchase of equipments cannot possibly be undertaken each year. Therefore, the petitioner should be directed to not make repetitive claims.

vii. That the petitioner has to subject itself to prudence check and first establish that the expenses are necessary for the operation of the generating station. The petitioner should justify as to why such large amounts are being spent by the petitioner for a building and whether this will give any benefit to the beneficiaries of power or consumers in the State of Punjab. The petitioner has to justify each and every expenditure and show to the satisfaction of the Commission that the petitioner is mandated to incur such heavy amount of money on the buildings and escalation work.

viii. That as far as the expenditure over and above the deferred provisions is concerned, it is pertinent to mention at the outset that the petitioner has made the exact same claims which have been specifically disallowed with reasons by the Commission vide Order dated 20.12.2016.

ix. That the claim for land lease by GoHP and chute spillway have been disallowed by the Commission holding that the same may be claimed only after it has been actually incurred.

x. That the claim for purchasing the runners & nozzle assembly is also the kind of expenditure which can be claimed, subject to the provisions of the Regulations, only after it has been incurred and that too, on the basis of audited accounts and further after fully justifying the requirement for the additional runners and nozzle assembly. The generating station ought to be constructed and maintained by the petitioner to operate for the operating life of the generating station and there is no occasion for the petitioner to keep incurring capital expenditure for the same. Neither the regulations of the Central Commission nor the regulations of the Commission permit capital expenditure from time to time for the generating station to operate.

xi. That there is absolutely no basis for claiming an amount of ₹80 lakh for construction of staff rest room. It is submitted that the said claim had been disallowed by the Commission vide Order dated 20.12.2016. Even though the respondent had submitted therein that it is not capital expenditure by any stretch of the imagination and does not give any enduring benefit in the generating station and cannot be allowed is a part of capital cost at all, the

Commission had decided to consider the same if it is actually incurred.

xii. That in view of the said observation of the Commission, the petitioner had claimed the amount of ₹7 lakh for construction of staff rest room in the truing up petition filed for FY 2015-16 stating that it has been incurred. Therefore, it is totally out of comprehension of the respondent that how can an amount of ₹ 80 lakh be claimed again under the same head herein, especially when it is not even a capital expenditure.

xiii. That the principles for permitting additional capitalisation are well settled under the Regulations, namely only when there is a Change in Law or such circumstances. The present expenses claimed do not fall under any of the categories provided in the Regulations for allowing additional capitalisation. The consumers cannot be burdened by this kind of expenditure, that too in each financial year.

xiv. That the depreciation should be allowed to the petitioner only in terms of the Tariff Regulations of the commission and not as per the actuals being incurred by the petitioner. The depreciation for the purposes of tariff determination have been settled. The depreciation claimed on the basis of the actuals or the books of accounts of the petitioner are irrelevant for the purposes of the regulatory tariff determination.

xv. That with regard to the operation and maintenance expenses, the Commission has already taken a view that the principles as per the Tariff Regulations would apply. This has also been accepted by the petitioner in the past. Therefore, there is no ground for changing the principles on which the tariff was determined by the Commission in the tariff order.

xvi. That with regard to the interest on loan, the loan to be considered has to be the loan component already admitted by the Commission in the tariff order for the year 2015-16. The amounts claimed by the petitioner are much higher, which are not admissible. Further, the petitioner is proceeding on the basis that the interest rate to be allowed in the actual weighted average rate of interest on loan. The Regulations of the Commission are very clear, and provide as under:

24.1 For Existing Loan Capital, Interest and finance charges shall be computed on the outstanding Loans, duly taking into account the rate of interest and schedule of repayment as per the Terms and Conditions of relevant agreements. The rate of interest shall be the actual rate of interest paid/payable by the Licensee(s) or the State Bank of India Advance rate as on April, 1 of the relevant year, wherever is less.

xvii. That in terms of the above, the actual interest rate or the State Bank of India Advance Rate, **whichever is lower is to be applied**. The petitioner should provide the comparison of the two rates and claim only the lower of the two. There is no occasion for the petitioner to claim any higher amount towards interest rates. Further, it is not understandable of the bank charges and finance charges to be paid every year. Such charges are paid generally only at the time of loan approval and loan disbursal and such charges ought not to be allowed.

xviii. That with regard to the interest on working capital and return on equity, the norms and parameters have already been decided by the Commission in the order dated 27.11.2013 and upheld by the Appellate Tribunal in the judgement dated 12.11.2014 and also in the tariff order for 2015-16. Therefore, the same has to apply and no deviation can be given.

xix. That the petitioner has claimed income tax of ₹8.65 crore for FY 2017-18, ₹8.84 crore for FY 2018-19 and ₹9.03 crore for FY 2019-20 to pay the Minimum Alternate Tax (MAT) at the rate of 21.913%. The income tax allowable has to be based on the tax rate considering the previous tax as paid by the petitioner, subject to prudence check by the Commission.

xx. That with regard to the transmission charges payable by the Petitioner to AD Hydro, in the Appellate Tribunal has held as under:

"(k) Appellant is entitled to transmission charges that have been actually paid by the Appellant to AD Hydro Power for using the transmission lines during testing period prior to COD. However, the amount will be subjected to adjustment on outcome of the Appeal pending before the Hon'ble Supreme Court regarding sharing of transmission charges on AD Hydro's transmission lines."

xxi. That the Commission has allowed transmission charges to the petitioner in its Order dated 20.12.2016 subject to the outcome of the appeal pending before the Hon'ble Supreme Court. The appeals have now been dismissed by the Hon'ble Supreme Court and quite apart from payment of transmission charges by the petitioner, there is a substantial amount to be recovered by the petitioner. In the circumstances, no transmission charges are to be paid by PSPCL to the petitioner.

xxii. That the above submissions may be taken into consideration before approval of the Capital Investment Plan for FY 2017-18 to 2019-20.

16**.** The submissions made by PTC India Limited in its reply to the petition, are summarized as under:

i. That PTC India Limited (herein being addressed as PTC) and the petitioner had entered into a Power Purchase Agreement (PPA) on

25.07.2005 for the purchase of entire capacity and electricity generated by under the project by EPPL. Subsequently, on 23.03.2006, PTC entered into a Power Sale Agreement (PSA) with the erstwhile Punjab State Electricity Board (PSEB), being the respondent no. 1 (i.e. PSPCL), for supply of electricity by PTC from generating station of the petitioner.

ii. That the present petition for approval of the Capital Investment Plan and Business Plan which is required to be done in terms of section 61 of the Electricity Act, 2003 read with the applicable Regulations of the Commission. The Capital Investment Plan and Business Plan may be approved by the Commission based on the figures and documents submitted by the petitioner and in accordance with the provisions of the Electricity Act, 2003 and applicable regulations. The Commission while approving the aforesaid plans may maintain a balance so that the petitioner is able to operate and maintain the plant in safe and smooth manner.

iii. That PTC is a trading licensee whose role is to facilitate the process of approval of Capital Investment Plan and Business Plan, therefore, it does not have any specific comment or reply to the present petition.

OBSERVATIONS AND DECISION OF THE COMMISSION

The Commission has examined the averments made in the petition, reply filed by the respondents, the documents adduced by the parties on record as well as submissions made during hearing and decides as under:-

17. <u>Capital Investment Plan</u>

i). <u>Capital expenditure towards approved deferred provisions</u>

The Commission vide its Consequential Order dated 04.12.2014 in Petition no. 54 of 2012 approved the capital cost of the project amounting to ₹837.2855 crore for FY 2012-13 and FY 2013-14 along with deferred provisions of ₹13.5167 crore in respect of (i) Infrastructure works; ₹994.28 lakh [Land: ₹147 lakh, Buildings: ₹417.08 lakh, Communications (for roads, bridges and ropeways): ₹406.45 lakh, Miscellaneous (security camera and online mandatory release system): ₹23.75 lakh], (ii) Major Civil and Hydro Mechanical works: ₹348.56 lakh and (iii) Plant & Equipment including initial spares (transmission line and terminal equipment): ₹8.83 lakh. Subsequently, the Commission vide its Order dated 31.08.2015 in Petition no.37 of 2014 for determining the Annual Fixed Cost (AFC) for FY 2014-15 and truing up of expenses for FY 2012-13 & FY 2013-14, approved the capital cost of the project for FY 2014-15 at ₹838.3025 crore, after considering the additional capitalization of ₹1.017 crore on account of land compensation deposited by EPPL with the court during FY 2013-14. The Commission in the aforesaid Order also held that the remaining deferred provisions of ₹12.4997 crore towards additional capital expenditure in respect of above listed works would be considered on merits when claimed as actual expenditure by EPPL, on submission of audited accounts for the same.

While determining the AFC for FY 2015-16 and truing up of AFC for FY 2014-15, the Commission in its Order dated 20.12.2016 in Petition no. 55 of 2015 retained the capital cost of the project at cost approved for FY 2014-15 i.e. ₹838.3025 crore.

Further, EPPL vide petition no. 17 of 2017 has claimed an amount of ₹3.34 crore towards expenditure incurred on account of additional capitalization in FY 2015-16 which includes ₹3.27 crore [(i) Buildings (balance works towards construction of project colony): ₹2.27 crore for 24 one BHK flats already constructed and ongoing construction works of three blocks comprising 10 two BHK flats, (ii) Communications (blacktopping of approach roads and procurement of snow cleaning equipment, earth moving equipment etc.): ₹0.21 crore for purchase of one of the earth moving equipment i.e back-loader, (iii) Escalation (Escalation on balance infrastructure works): ₹0.60 crore on buildings, (iv) Miscellaneous (towards procurement of office equipment, Tools & Tackles/ Machinery and Computers): ₹0.19 crore for purchase of 35 nos. security cameras and associated equipments] for approved deferred provisions and additional ₹0.07 crore for a staff rest room constructed at Dam complex which is not covered in the deferred provisions approved by the Commission in its Consequential Order dated 04.12.2014 in Petition no. 54 of 2012. The Commission approved the expenditure of ₹3.34 crore against the balance deferred provisions of ₹12.4997 crore. The Commission held that remaining deferred provisions of ₹9.1597 (₹12.4997 – ₹3.34) crore would be considered on merits when claimed as actual expenditure by EPPL, on submission of audited accounts for the same and subject to the provisions in the Regulations. Accordingly, the capital cost of the project for FY 2015-16 (true-up) was approved as ₹841.6425 crore and the AFC for FY 2016-17 would be determined considering the capital cost as ₹841.6425 crore.

The Commission observes that in the Order dated 18.12.2017 in petition no. 17 of 2017, the balance deferred provisions at the end of FY 2015-16 (true-up) to be accounted towards additional capitalization were ₹9.1597 crore as detailed in Table No. 1.1 of the said Order.

The Commission notes that no expenditure towards additional capitalization has been incurred by EPPL in FY 2016-17 (true-up) against the deferred provisions earlier approved by the Commission, as submitted by EPPL in petition no. 62 of 2017. However, the Commission allowed the additional capital expenditure of ₹0.10 crore incurred towards Sewage Treatment Plant and R.O System for newly constructed colony at project site to be counted under the head 'Buildings' under the deferred provisions already approved by the Commission. Accordingly, the balance amount against the deferred provisions already allowed by the Commission works out to ₹9.0597 crore (balance deferred provisions under the Head 'Buildings'; ₹1.7308 crore) and the capital cost of the project works out to ₹ 841.7425 crore upto FY 2016-17 (True-up). Further the Commission notes that an amount of ₹ 0.0883 crore was approved towards balance deferred provisions under the head Plant & Equipment including initial spares (transmission line and terminal equipment) in its earlier orders. The Commission observes that EPPL has not proposed any amount to be incurred under the above Head during the control period FY 2017-18 to FY 2019-20. EPPL has proposed to cancel the approved deferred provision under the said head. Accordingly, the Commission notes that the deferred provisions work out to ₹8.9714 crore (₹9.0597 crore - ₹0.0883 crore) which are allowable in the MYT control period FY 2017-18 to FY 2019-20.

The Commission notes that EPPL has claimed an amount of ₹9.14 crore towards already approved provisions for considering the same by the Commission while approving the capital investment plan. The Commission further notes that EPPL has submitted that an amount of ₹4.66 crore, ₹1.49 crore and ₹2.99 crore for FY 2017-18, FY 2018-19 and FY 2019-20 respectively may be considered by the Commission towards already approved provisions while approving the capital investment plan. The Commission further notes that PSPCL has submitted that EPPL itself has stated that the Commission in its Orders dated 31.08.2015 in petition no. 37 of 2014 and 20.12.2016 in petition no.55 of 2015 held that such deferred provisions would be considered on merits when claimed as actual expenditure on submission of audited accounts for the same. Therefore, it is not justified for EPPL to still make the same claims herein. PSPCL submitted that additional capitalization is permissible to be allowed only under specified circumstances which are provided for in the Regulations. PSPCL has submitted that in terms of the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014 adopted by the Commission with respect to generation norms and parameters, the additional capitalization is permitted only if it falls within the parameters specified in the aforesaid Regulations. PSPCL further submitted that the additional capitalization is to be allowed only after the commercial operation date upto the cut-off date i.e. 31.03.2015. PSPCL submitted that the expenses like construction of buildings, escalation works and purchase of equipments cannot possibly be undertaken each year. Therefore, EPPL should be directed not to make repetitive claims. Further, EPPL has to establish that the expenses are necessary for the operation of the generating station. EPPL should justify as to why such large amounts are being spent by it on buildings & escalation work and whether this will give any benefit to the beneficiaries or consumers in the State of Punjab.

The Commission notes that the provisions claimed by EPPL towards capital expenditure in FY 2017-18 to FY 2019-20 were approved by the Commission as deferred provisions in its Consequential Order dated 04.12.2014 in petition no. 54 of 2012.

In view of the above, the Commission approves the capital investment plan against already approved deferred provisions as under:

i) Infrastructure works (Land: ₹0.453 crore)

EPPL submitted that out of ₹1.47 crore under the head 'Land' already approved by the Commission vide aforesaid Orders as deferred provision, it has incurred expenditure of ₹1.017 crore during FY 2013-14, the balance amount of ₹ 0.45 crore already approved by the Commission is expected to be incurred during FY 2017-18.

The Commission approves a provision of ₹0.453 crore for capital investment in FY 2017-18 on this account.

ii) Infrastructure works (Buildings: ₹1.7308 crore + ₹0.8992 crore)

EPPL has claimed an amount of ₹1.90 crore and submitted that this amount pertains to balance works towards construction of project colony under original scope of infrastructure works of the EPC contractor. As per the terms of the contract, the entire amount payable on this account becomes due when entire Buildings works are completed. Construction activities of the colony works could not progress as envisaged earlier due to local issues which now have been settled and the works have resumed. EPPL submitted that the amount of ₹1.90 crore under the head 'Building' already approved by the Commission as deferred provision is expected to be incurred during FY 2017-18.

The Commission further notes that EPPL has submitted that staff rest room at dam complex is necessitated by the extreme weather conditions and is not any kind of residential facility. The initial estimated cost of the rest rooms was ₹0.30 crore. EPPL further submitted that due to heavy tourist inflow during past few years and construction of upstream roads and construction activities upstream, more security staff and other staff is posted at dam site, necessitating more number of rest rooms. In view of the additional protection measures and increase in the no. of the rest rooms, the estimate has increased to ₹0.80 crore. EPPL submitted that the work had started in the year 2014 but due to objection by locals and pendency of the issue in the court, the same was stopped. Now due to decision of the court in EPPL's favour, the work has resumed. EPPL submitted that the amount of ₹0.80 crore over and above the approved deferred provisions under the head 'Staff Rest Room at Dam Complex' is expected to be incurred during FY 2017-18.

PSPCL has further submitted that the said claim (₹0.30 crore; wrongly stated by PSPCL as ₹0.80 crore) had been disallowed by the Commission in its Order dated 20.12.2016 stating that the same shall be considered on merits as and when it is actually incurred.

In view of the said observation of the Commission, EPPL had claimed the amount of ₹0.07 crore for construction of staff rest room in the truing up petition filed for FY 2015-16 stating that it has been incurred and the Commission in its Order dated 18.12.2017 in Petition no. 17 of 2017 for the true-up for FY 2015-16 had allowed ₹0.07 crore against deferred provisions for buildings. PSPCL has submitted that it is totally out of comprehension that now an amount of ₹0.80 crore be claimed again under the same head herein, especially when it is not even a capital expenditure.

The Commission notes that the EPPL has claimed the capital investment of ₹1.90 crore under the Head 'Buildings' against the deferred provisions allowed by the Commission in its order dated 04.12.2014 in Petition No. 54 of 2012. The balance amount available under the Head 'Buildings' is ₹1.7308 crore as per the Commission's order dated 24.05.2018 in Petition 62 of 2017 for true-up for FY 2016-17. The Commission further notes that EPPL in its

petition no. 55 of 2015 for approval of AFC for FY 2015-16 claimed the expenditure of ₹0.30 crore for construction of rest of rooms over and above the approved deferred provisions. EPPL further submitted during its subsequent submissions in Petition no. 55 of 2015 that the expenditure of ₹0.30 crore for construction of rest rooms is yet to be incurred in FY 2015-16 and proposed to defer the same to FY 2016-17. Accordingly, the Commission in its order dated 20.12.2016 in petition no. 55 of 2015 disallowed the amount of ₹0.30 crore on this account towards additional capitalization in FY 2015-16. Thereafter, in petition no. 17 of 2017 for true-up of FY 2015-16, EPPL claimed the amount of ₹0.07 crore for a staff rest room constructed at Dam complex which was not covered in the deferred provisions approved by the Commission in its Consequential Order dated 04.12.2014 in Petition no. 54 of 2012. However, the Commission in its order dated 18.12.2017 in petition no. 17 of 2017 approved the said expenditure of ₹0.07 crore under the Head 'Buildings' in deferred provisions. EPPL did not claim any amount for construction of staff rest rooms in its petition no. 62 of 2017 for true up of FY 2016-17. The Commission notes that EPPL has submitted in this petition that expenditure on construction of staff rest rooms has increased to ₹0.80 crore and has claimed this expenditure over and above the deferred provisions allowed by the Commission. As the expenditure of ₹0.07 crore has already been allowed as detailed above, the balance claim of EPPL on this account works out to ₹0.73 crore (₹0.80 crore – ₹0.07 crore). The Commission is of the view that the staff rest room is also a part of buildings and therefore the same needs to be covered under the Head 'Buildings'. In view of the above, the total capital investment

under the Head 'Buildings' claimed by EPPL works out to ₹2.63 crore (₹1.90 crore + ₹0.73 crore).

The Commission further notes that EPPL has claimed ₹0.50 crore, ₹0.19 crore, ₹0.44 crore for FY 2017-18, FY 2018-19 and FY 2019-20 respectively totaling to ₹1.13 crore under the Head 'Escalation on Infrastructure and Major Works'. The Commission is of the view that the major component under this Head is escalation on the expenditure on 'Buildings' as most of the infrastructure and major works have been completed for which no escalation is likely to take place in the MYT period. Keeping the above in view, the Commission notes that the combined deferred provision under the Head 'Buildings' and 'Escalation on Infrastructure and Major Works' works out to ₹2.8608 crore (₹1.7308 crore + ₹1.1300 crore). The capital investment claimed by EPPL for construction of buildings and rest rooms works out to ₹2.63 crore as discussed above.

In view of the above, the Commission approves the provisions of ₹2.63 crore [₹1.7308 crore available under the head 'Buildings' + ₹0.8992 crore allowed to be adjusted from the Head 'Escalation on Infrastructure and Major Works'] for construction of buildings and staff rest rooms against the deferred provisions of ₹2.8608 crore against 'Building' & 'Escalation on Infrastructure and Major Works'. After adjustment of ₹0.8992 crore against the buildings out of ₹1.1300 crore available under the Head 'Escalation on Infrastructure and Major Works', the balance provisions available under this head shall be ₹0.2308 crore (₹1.1300 crore – ₹0.8992 crore). Accordingly, the provisions of ₹0.19 crore and ₹0.0408 crore totaling to ₹0.2308 crore shall be considered for FY

2018-19 and FY 2019-20 against the 'Escalation on Infrastructure and Major Works'.

iii) Communications (blacktopping of approach roads and procurement of snow cleaning equipment, earth moving equipment etc.):

The Commission notes that EPPL submitted that the works related to blacktopping of the access roads were under original scope of Infrastructure Works of the EPC contract, but due to following problems, it was decided to postpone the same:

a) All the approach roads to different Project components were constructed by cutting the steep to near vertical hill slopes exposing bed rock. At many places to restrict the hill cutting and minimizing the hill slope instability long retaining structures were erected and muck was filled in to develop the road.

b) The filled in material was adequately compacted, however, due to excess rain fall differential settlement was happening in the initial years, which was regularly repaired.

c) Time and again since the construction of access roads, landslides of varying dimensions from the adjacent hill slopes were triggered due to heavy rain or snow fall. As a result the roads were getting damaged severely. The frequencies of these landslides have decreased considerably now, due to the hill slope stabilization.

d) In winter season certain stretches of the road were getting damaged due to thawing action of the snow. These areas have now stabilized to great extent due to repeated stability measures provided every year.

e) Due to the cloud bursting the roads were being damaged severely. Now Culverts with wider span were provided at many places across the ephemeral nalas so that heavy down pour / cloud bursting in the catchment areas may not damage the roads.

EPPL submitted that during the last five years of Plant operation, all precautions & measures to stabilize the access roads were taken and as a result the roads are almost stabilized. Therefore, black topping of the access roads is now planned to be carried out during FY 2018-19 and FY 2019-20 respectively.

EPPL further submitted that to keep the roads operational in the project area especially under severe weather conditions, it is necessary to procure the snow cleaning equipment, earth moving equipment etc. and the some are proposed to be purchased in FY 2018-19 & FY 2019-20.

EPPL submitted that out of ₹3.85 crore under the head 'Communication' already approved by the Commission as deferred provision, the amount of ₹1.30 crore is expected to be incurred during FY 2018-19 and the balance amount of ₹2.55 crore during FY 2019-20.

The Commission notes that the amount available under the Head 'Communications' is ₹3.8545 crore which was allowed by the Commission under balance deferred provisions in its order dated 24.05.2018 in Petition no. 62 of 2017 in true up of FY 2016-17. Accordingly, the Commission allows the provision of ₹1.30 crore and ₹2.55 crore for capital expenditure plan in FY 2018-19 and FY 2019-20 respectively under the Head 'Communications' for blacktopping of approach roads and procurement of snow cleaning equipment etc.

iv) Dam intake and Desilting Chamber : ₹1.7556 crore

EPPL has submitted that in view of the Govt. of Himachal Pradesh proposal to construct a road to Malana village which shall pass through the dam top, the location of Track Rack Cleaning Machine (TRCM) required shifting away from dam top. The discussions with TRCM suppliers were held to optimise the design of TRCM so that there is no hindrance for the smooth passage of traffic. New designs and commercial offers from the suppliers are expected shortly and amount of ₹1.76 crore shall be utilized during FY 2017-18.

The Commission notes that the amount available under this head is ₹1.7556 crore which was allowed by the Commission under the balance deferred provisions in its Order in petition no. 62 of 2017 in true-up of FY 2016-17. Accordingly, the Commission approves provision of capital investment of ₹1.7556 crore for Dam intake and Desilting Chamber under deferred provisions in FY 2017-18.

v) Escalation on infrastructure and Major Works: ₹0.2308 crore (₹1.1300 crore – ₹0.8992 crore).

EPPL has submitted that the Commission had approved ₹1.13 crore as deferred provisions under the head 'Escalation' for the balance infrastructure works i.e. Buildings & Communications. EPPL further submitted that the amount of ₹0.50 crore, ₹0.19 crore & ₹0.44 crore under this head is expected to be incurred in FY 2017-18, FY 2018-19 and FY 2019-20 respectively.

The Commission notes that the amount available under this head is ₹1.1300 crore which was allowed by the Commission under the balance deferred provisions in its Order in petition no. 62 of 2017 in true-up of FY 2016-17. The Commission has considered and allowed the amount of ₹0.8992 crore out of

₹1.1300 crore under the Head 'Buildings' as detailed at para ii) **above. Accordingly, the Commission allows a provision of ₹0.19 crore and ₹0.0408 crore for escalation in major infrastructure works in the years FY 2018-19 and FY 2019-20 respectively under this head.**

vi) Miscellaneous (Purchase of Security Camera and online mandatory release system) : ₹0.0475 crore

EPPL has submitted that CCTV cameras at project site at various places are proposed to be installed during FY 2017-18. The amount of ₹0.05 crore already approved by the Commission as deferred provision under the head 'Miscellaneous' is expected to be incurred during FY 2017-18.

The Commission notes that the amount available under this head is ₹0.0475 crore which was allowed by the Commission under the balance deferred provisions in its Order in petition no. 62 of 2017 in true-up of FY 2016-17. Accordingly, the Commission allows the provision of ₹0.0475 crore for capital investment under this head in FY 2017-18.

vii) Plant & equipment including initial spares (transmission line and terminal equipment): ₹0.0883 crore.

EPPL submitted that all transmission line and substation works have been completed and commissioned by the contractor. The final invoice of ₹0.09 crore for the already executed job was not received from the contractor even in FY 2016-17. EPPL submitted that there is no amount proposed to be incurred under the head 'Transmission Line and Terminal Equipment' during the MYT control period from FY 2017-18 to FY 2019-20.

In view of the above submissions of EPPL, the Commission does not allow any provision for capital investment against

the balance deferred provision of ₹0.0883 crore under the head Plant & equipment including initial spares (transmission line and terminal equipment).

In view of the above, the balance deferred provisions allowed are summarized as hereunder:

Table no. 1: Additional Capital Investment for MYT period FY 2017-18 to FY 2019-20 against approved deferred provisions

S. No.	Head of Works [as per Order dated 04.12.2014 in petition no 54 of 2012	Deferred Provisions [as per Order dated 04.12.2014 in petition no 54 of 2012 (₹ cr.) (A)	Head of Works [as claimed by EPPL in petition no. 24 of 2017 for capital investment in MYT period from FY 2017-18 to FY 2019-20 (D)	Balance deferred provisions at the end of FY 2016-17 (True-Up) (₹ cr.) (G)=(E-F)	Capital investment approved against deferred provisions allowed by the Commission (Expenditure for FY 2017-18)	Capital investment approved against deferred provisions allowed by the Commission (Expenditure for FY 2018-19)	Capital investment approved against deferred provisions allowed by the Commission (Expenditure for FY 2019-20)
1.	Infrastructure Works i)Land	1.47	i) Land	0.453	0.453	0.00	0.00
	ii)Buildings	4.1708	ii)Buildings (balance works towards construction of project colony)	1.7308	2.63 crore [₹1.7308 cr. + ₹0.8992 cr. (shifted from the Head 'Escalation on infrastructure and Major Works')] (₹1.90 cr. for buildings + ₹0.73 cr. towards staff rest rooms at Dam Complex.	0.00	0.00
	iii) Communications (construction of roads, bridges and ropeways)	4.0645	iii)Communications (blacktopping of approach roads and procurement for snow cleaning equipment, earth moving equipment etc.)	3.8545	0.00	1.30	2.55
	iv) Miscellaneous (Purchase of Security Camera and online mandatory release system)	0.2375	iv) Miscellaneous (towards procurement of office equipment; tools and tackles/machinery and computers)	0.0475	0.0475	0.00	0.00
	Total	**9.9428**		**6.0858**	**3.1305**	**1.30**	**2.55**
2	Major Civil & Hydro Mechanical Work						

S. No.	Head of Works [as per Order dated 04.12.2014 in petition no 54 of 2012	Deferred Provisions [as per Order dated 04.12.2014 in petition no 54 of 2012 (₹ cr.) (A)	Head of Works [as claimed by EPPL in petition no. 24 of 2017 for capital investment in MYT period from FY 2017-18 to FY 2019-20 (D)	Balance deferred provisions at the end of FY 2016-17 (True-Up) (₹ cr.) (G)=(E-F)	Capital investment approved against deferred provisions allowed by the Commission (Expenditure for FY 2017-18)	Capital investment approved against deferred provisions allowed by the Commission (Expenditure for FY 2018-19)	Capital investment approved against deferred provisions allowed by the Commission (Expenditure for FY 2019-20)
	i) Dam intake and desilting chamber	1.7556	Dam intake and desilting chamber (procurement and installation of TRCM)	1.7556	1.7556		
	ii) Escalation on infrastructure and Major Works	1.7300	Escalation (Escalation on balance infrastructure works)	1.1300	0.00 (₹ 0.50 cr. adjusted in the Head 'Buildings' at Sr. no. 1 (ii) above.)	0.19	0.0408 (₹ 0.3992 cr. adjusted in the Head 'Buildings' at Sr. no. 1 (ii) above.)
	Total	**3.4856**		**2.8856**	**1.7556**	**0.19**	**0.0408**
3.	Plant & equipment including initial spares (transmission line and terminal equipment)	0.0883		0.0883	0.00 (claim withdrawn by EPPL)		
	Total (1+2+3)	**13.5167**		**9.0597**	**4.8861**	**1.49**	**2.5908**

Keeping the above in view and considering the submissions of the parties, the Commission allows the additional capital investment expected to be incurred by EPPL in the capital investment plan on account of deferred provisions as ₹4.8861 crore in FY 2017-18, ₹1.49 crore in FY 2018-19 and ₹2.5908 crore in FY 2019-20. However, the deferred provisions of ₹8.9669 crore as projected above would be considered on merits when claimed as actual expenditure by EPPL, on submission of audited accounts for the same in the true up petitions to be filed by EPPL for respective years.

Further, the Commission holds that no additional capital expenditure will be allowed on account of the deferred provisions beyond FY 2019-20.

ii). <u>Capital expenditure over & above the approved deferred provisions</u>

The Commission notes that EPPL has claimed ₹42.90 crore as additional capitalization over and above the approved deferred provisions in Capital Investment Plan for MYT control period FY 2017-18 to FY 2019-20. After considering the submissions of the parties, the Commission decides as under:

<u>a). Land lease claimed by GoHP:</u>

EPPL submitted that 'Land held under lease' pertains to the forest land diverted for the project as the said land is not mutated in its name. EPPL further submitted that no lease amount was either demanded by GoHP or paid by EPPL upto August, 2014. Subsequently, GoHP raised demand for an amount of ₹5.77 crore excluding interest vide letters dated 11.08.2014 and 27.08.2014. The said demand for lease rentals has been raised in accordance with the provisions of the Himachal Pradesh Ceiling on Land Holdings Act, 1972 and Himachal Pradesh Village Common Lands Vesting and Utilization Act, 1974 and the Rules framed there under by GoHP. The Lease Rules were notified in 1993 i.e. prior to signing of the PPA and PSA. The said Rules were amended / replaced by Lease Rules, 2011 and Lease Rules, 2013 wherein the lease rates were amended. The Forest Clearance was accorded on 19.11.2005. The demand for lease amounts to ₹5.77 crore for the period 19.11.2005 to 18.11.2014 towards lease rentals and ₹1.24 crore as an annual lease rental has been conveyed in the demand letter dated 27.08.2014. EPPL submitted that it has not paid any amount till date to GoHP in this regard. EPPL further submitted that the amount pertaining to period prior to COD i.e. ₹4.10 crore is expected to be incurred by it during FY 2017-18.

PSPCL submitted that the claim for land lease by GoHP has been disallowed by the Commission in its Order dated 20.12.2016 in petition no. 55 of 2015 holding that the same may be claimed only after the expenditure has been actually incurred.

After considering the submissions of the parties, the Commission is of the view that amount of ₹4.10 crore which was expected to be incurred by EPPL during FY 2017-18 pertains to the period prior to COD and is payable to GoHP on account of land lease for the forest land diverted to the project. The Commission considers it as a legitimate payment and allows provision of ₹4.10 crore for capital investment in MYT period from FY 2017-18 to FY 2019-20 subject to true up in the true up petitions to be filed by EPPL for the respective years.

b). Chute spillway:

EPPL submitted that it intends to construct a chute spillway as per the directives of Directorate of Energy (DoE), GoHP, in line with the thrust given by the Central Govt. for safe and smooth operation of all Hydro Electric Projects in view of the changing weather conditions & frequent incidents of excessive floods / cloud bursts in the upper catchment areas witnessed in past 2-3 years in Utrakhand, Jammu & Kashmir and other parts of the Himalayan States. EPPL further submitted that such capital expenditure is admissible under the provisions of Regulation 14(3)(viii) of the CERC (Terms and Conditions of Tariff) Regulation, 2014. EPPL further submitted that the tentative cost of construction of ungated surface spillway is ₹15.00 crore. The construction activities would run parallel to energy generation and would not require any plant shut down for construction of Chute Spillway. The expenditure is expected to be incurred in FY 2017-18 and FY 2018-19 and is expected to be capitalized in FY 2018-19 on completion of works.

PSPCL submitted that additional capitalization is permissible to be allowed only under specified circumstances which are provided for in the Regulations. The Commission has adopted the Regulations of the Central Commission with respect to the generation norms and parameters. The additional capitalisation is permitted only if it falls within the parameters specified in Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014. Further, the additional capitalisation is to be allowed only after the commercial operation date upto the cut-off date i.e. 31.03.2015. PSPCL further submitted that the claim for construction of chute spillway has been disallowed by the Commission in its Order dated 20.12.2016 in petition no. 55 of 2015 holding that the same may be claimed only after the expenditure has been actually incurred.

The Commission notes that construction of chute spillway is the requirement as per the directives of Directorate of Energy (DoE), GoHP for safe and smooth operation of all Hydro Electric Projects in the State of Himachal Pradesh. The Commission further notes that EPPL vide letter dated 17.03.2018 submitted the copy of letter dated 02.02.2018 issued by DoE, GoHP regarding acceptance of revised DPR for construction of additional spillway for safety of the Dam Structure. Keeping the above in view, the Commission allows the capital investment of ₹15.00 crore for construction of chute spillway in the MYT period from FY 2017-18 to FY 2019-20.

c). Runner and nozzle assembly:

EPPL submitted that Commercial Operation Date (COD) of the Project was declared on 12.07.2012 after successful completion of trial run and other performance tests. EPPL further submitted that 100 MW Malana-II Scheme is a high head scheme with 603 m head and located at higher altitude of more than 2500 m in Himalayan Region. It has been observed that Pelton turbine runners and nozzles got eroded frequently and need repair and maintenance on periodic basis. The erosion is more prominent if head is high or the project is near to glaciers. After each monsoon period the turbine runners are replaced with refurbished runners for safe, reliable and efficient operation of the Plant. The damaged and eroded runners and nozzles are repaired by welding, subsequent heat treatment, grinding and hard re-coating. After multiple repairs and coating of runners & nozzles, the root of the runner and tip of nozzles become weak. Therefore, these are replaced. Further, due to repeated weld repairs / heat treatment being carried out year after year, the profile of the runners and nozzles are getting affected resulting into decreased efficiency and performance. Malana-II HEP witnessed similar phenomena wherein pelton turbine and nozzles got eroded and the same were repaired on periodic basis. EPPL further submitted that during recent years it is also observed that the root areas of some of the runner buckets have also developed damages, including cracks in some of buckets. The repeated repairs in the root area / cracks of these casted runners may lead to sudden bucket failure during the operation in the coming years. In view of the damages observed in the existing runners and nozzles and to avoid the generation losses, it is found prudent to replace runners and nozzles in a phased manner for both the 50 MW capacity machines starting from FY 2017-18 with new runners and nozzles. EPPL has submitted the reasons for procurement of new runners and the reasons for phased procurement of the same as detailed in its submissions in the foregoing paras.

PSPCL submitted that additional capitalization is permissible to be allowed only under specified circumstances which are provided for in the Regulations. The Commission has adopted the Regulations of the Central Commission with respect to the generation norms and parameters. The additional capitalisation is permitted only if it falls within the parameters specified in Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014. Further, the additional capitalisation is to be allowed only after the commercial operation date upto the cut-off date i.e. 31.03.2015. PSPCL submitted that the claim for purchasing the runners & nozzle assembly is also the kind of expenditure which can be claimed, subject to the provisions of the Regulations, only after it has been incurred and that too, on the basis of audited accounts and further after fully justifying the requirement for the additional runners and nozzle assembly. The generating station ought to be constructed and maintained by the petitioner to operate for the operating life of the generating station and there is no occasion for the petitioner to keep incurring capital expenditure for the same. Neither the Regulations of CERC nor the Regulations of PSERC permit capital expenditure from time to time for the generating station to operate.

After considering the submissions of the parties, the Commission has noted that EPPL has submitted that replacement of runners is required due to repeated repairs / refurbishing of the same year by year since the commencement of commercial operation of the plant in FY 2012. The Commission also notes that EPPL has submitted that the time schedule given by the supplier for delivery of one set of runners is 11 months from the date of issue of purchase order and release of advance payment. EPPL has further submitted that accordingly it has placed purchase order, so that all performance

tests on new forged runners can be completed before the onset of monsoon in the year 2018. Keeping the above in view and considering the submissions of EPPL & contentions of PSPCL, the Commission decides as under:-

i) The Commission provisionally allows capital investment of ₹5.50 crore each in FY 2017-18 and FY 2018-19 for the procurement of runners subject to the condition that EPPL shall get the runners to be replaced inspected from IIT Roorkee and submit a report from IIT Roorkee certifying that there is no other economical alternative except replacement of runners with new runners alongwith detailed reasons justifying the same. IIT Roorkee would also indicate the time after which runners needs to replaced. The aforesaid report may be submitted before the actual expenditure on procurement of runners incurred in the respective years.

ii) The Commission further notes that EPPL has planned to purchase one set of new designed runner along with new designed nozzle assemblies in FY 2019-20 at the estimated cost of ₹12.00 crore. The Commission observes that the cost of one set of new designed runner along with new designed nozzle assemblies claimed by EPPL appears to be on the higher side as compared to the runners proposed to be procured in FY 2017-18 & FY 2018-19. The Commission notes that EPPL has not given any cogent reasons in its submissions justifying the same. The EPPL shall first get it examined from IIT Roorkee as to whether new design runners or old design runners are required. If IIT Roorkee approves that new design runners are required, it should get the design vetted from them and submit a comprehensive report.

Therefore, the Commission shall consider the additional capital investment of ₹12.00 crore towards the proposed procurement of one set of new designed runner along with new designed nozzle assemblies in FY 2019-20 after the report from IIT, Roorkee is received.

d). Staff Rest Room at Dam Complex:

The Commission has already dealt with this issue in the foregoing paras under 'Capital expenditure towards approved deferred provisions' and has allowed the expenditure of ₹0.73 crore to be considered under the Head 'Buildings' in the already approved deferred provisions.

iii). Local Area Development Fund (LADF)

The Commission notes that GoHP filed an objection dated 21.06.2017 submitting that it had issued notifications dated 11.12.2006, 16.09.2009, 30.11.2009, 05.10.2011, 26.05.2015 & 17.08.2016 in respect of Hydro Power Policy, 2006, which provides that 1.5% of the final cost of the projects above 5 MW and 1% of the final cost of projects upto 5 MW shall be contributed to a Local Area Development Fund (LADF). The Commission further notes that EPPL has filed a writ petition in Hon'ble High Court of Himachal Pradesh which stayed the HP Govt. notification dated 16.09.2009 and 05.10.2011. It has been requested by GoHP to the Commission that before approving the AFC for FY 2017-18 to FY 2019-20, the provision of pre-commissioning as well as post-commissioning LADF may kindly be kept as per Govt. of HP, LADF Guidelines.

The Commission observes that the said notifications of GoHP dated 16.09.2009 and 05.10.2011 imposing the LADF have been

stayed by Hon'ble High Court of Himachal Pradesh in Writ Petition No. 1403/2016 filed by EPPL. Therefore, there is no liability of EPPL to pay any such amounts to the GoHP as of now. In view of the above, the Commission decides that PSPCL shall be liable to pay the expenses on this account when actually incurred by EPPL and found reasonable.

In view of the above, the additional capitalization in the capital investment plan for MYT period FY 2017-18 to FY 2019-20 allowed by the Commission is summarised as under:

Table no.2: Additional Capital Investment Plan for MYT period FY 2017-18 to FY 2019-20

Sr. No.	Description	FY 2017-18 (₹ in crore)	FY 2018-19 (₹ in crore)	FY 2019-20 (₹ in crore)
1.	Additional capitalization / Capital expenditure against approved deferred provisions	4.8861	1.49	2.5908
2.	Additional Capitalization / Capital expenditure over and above the approved deferred provisions	9.60 **(₹4.10 crore for land lease claimed by GoHP and ₹5.50 crore for purchase of runner and nozzle assembly).**	20.50 **(₹15.00 crore for Chute Spillway and ₹5.50 crore for purchase of runner and nozzle assembly).**	0.00
3.	Local Area Development Fund (LADF)	Nil	Nil	Nil
4.	Total	14.4861	21.99	2.5908

In view of the above, the capital investment for MYT period FY 2017-18 to FY 2019-20 (subject to true-up) works out as under:-

Table no.3: Capital Cost (subject to true-up) for MYT period FY 2017-18 to FY 2019-20

Sr. No.	Capital cost to be considered for determining AFC for FY 2017-18 (₹ in crore)	Capital cost to be considered for determining AFC for FY 2018-19 (₹ in crore)	Capital cost to be considered for determining AFC for FY 2019-20 (₹ in crore)
1.	841.7425 **(as allowed by the Commission in true-up of FY 2016-17 in Petition No. 62 of 2017; Capital Cost ending FY 2016-17)**	856.2286 **(Capital Cost ending FY 2017-18)**	878.2186 **(Capital Cost ending FY 2018-19)**

The Commission holds that the additional capital expenditure in FY 2017-18, FY 2018-19 and FY 2019-20 as detailed in foregoing paras will be considered on merits when claimed as actual expenditure by EPPL, on submission of audited accounts for the same in the true up petitions to be filed by EPPL for respective years subject to the provisions in the Regulations and prudence check.

BUSINESS PLAN

18. As per Regulation 10 of the PSERC MYT Regulations, 2014, the Applicant shall file for approval of the Commission, a business plan for its generation, transmission or distribution businesses, as the case may be, on or before 1st April of the year preceding the first year of the control period, for a duration covering at least the entire control period. The business plan shall cover details for each year of the control period.

19. Key requirements of Business Plan

Regulation 10 of the MYT Regulations, 2014 relates to the Business Plan, which is reproduced below:

*"10. **BUSINESS PLAN***

10.1. The Applicant shall file for approval of the Commission a business plan for its generation, transmission or distribution businesses, as the case may be, on or before 1st April of the year preceding the first year of the control period for a duration covering at least the entire control period. The business plan shall cover details for each year of the control period.

10.2. …….

10.3. …….

10.4. The business plan for transmission business shall be based on proposed generation capacity addition and future load forecasts of the State and shall contain among other things *the following: (i) Future plans of the company including efficiency improvement measures proposed to be introduced and technical requirement such as meeting reactive power requirements; (ii) Plan for reduction in transmission losses; (iii) Plan for improvement in quality of transmission service and reliability; (iv) Metering arrangements; (v) Financial statements (which includes balance sheet, profit and loss statement and cash flow statement)- current and projected (at least for the control period duration) along with basis of projections; (vi) Any other new measure to be initiated by the licensee, e.g. automation, IT initiatives etc.*

10.5. ……..

10.6. The Commission shall scrutinize and approve the business plan taking into consideration the additional information provided by the applicant, if any, and the objections/ suggestions of the key stakeholders.

10.7. The Applicant shall submit all information/data as required by the Commission for necessary approval of the business plan.

10.8. The business plan shall be approved within a period of 90 days from the date of its filing or submission of complete information, whichever is later.

10.9. For the purpose of first control period, the timeline for submission of the business plan by the Applicant shall be as specified in regulation 63.”

20. Accordingly, EPPL was required to file the Capital Investment Plan as well as Business Plan with the Commission on or before 1st April of the preceding year of the first year of the Control Period, i.e. on or before 01.04.2016, for all three years of Control Period from FY 2017-18 to FY 2019-20. The Petition was not filed within the stipulated time, however, EPPL filed an I.A. No. 20 of 2017 for condonation of the delay and the delay was condoned by the Commission vide its Order dated 31.05.2017.

Based on the outcome of the approved Capital Investment Plan & Business Plan, EPPL was required to file its Petition for fixation of Annual Fixed Cost (AFC) for MYT Control Period, on or before 30th November, 2016. Regulation 60 of PSERC MYT Regulations states that the Applicant shall file a petition for approval of ARR & Tariff, for each year of the control period consistent with the business plan and the capital investment plan approved by the Commission. However, EPPL has filed the Petition No. 23 of 2017 for fixation of AFC for MYT Control Period based on the Capital Investment as claimed in the present Petition.

Accordingly, in line with Regulation 60 of the PSERC MYT Regulations, EPPL shall revise its claim of AFC of Petition No.23 of 2017, for each year of the Control Period (FY 2017-18 to FY 2019-20) consistent with the Capital Investment Plan approved by the Commission in para 17 of this Order and submit the same to the Commission.

The petition is disposed of in terms of above.

Sd/-	Sd/-	Sd/-
(Anjuli Chandra) **Member**	**(S.S. Sarna)** **Member**	**(Kusumjit Sidhu)** **Chairperson**

Chandigarh
Dated: 30.07.2018