

Sl. No.	Head of Work /Equipment	Regulation	2014-15	2015-16	2016-17	2017-18	2018-19	Total
44	Hospital items	14(1)(ii)	0.00	35.38	0.00	0.00	0.00	35.38
	<b>Sub Total (A)</b>		<b>39753.71</b>	<b>14759.10</b>	<b>16432.22</b>	<b>0.00</b>	<b>0.00</b>	<b>70945.04</b>
<b>B</b>							<b>New Claims</b>	
1	Ash Dyke	14(1)(i)	0.00	0.00	0.74	0.00	0.00	0.74
2	Ash Handling System	14(1)(i)	0.00	0.00	70.82	0.00	0.00	70.82
3	Ash Water Recirculation System	14(1)(i)	0.00	0.00	46.61	0.00	0.00	46.61
4	Ash related works	14(2)(iii) & 14(3)(iv)	0.00	0.00	0.00	7.07	22.64	29.72
5	Chimney	14(1)(i)	0.00	0.00	119.92	0.00	0.00	119.92
6	Coal Handling Plant	14(1)(i) & 54	0.00	0.00	72.71	0.00	-27.60	45.11
7	CW- Civil	14(1)(i)	0.00	0.00	84.62	0.00	0.00	84.62
8	Electrical Equipment Package	14(1)(i)	0.00	0.00	236.35	0.00	0.00	236.35
9	Fire detection and Protection System	14(1)(i) & 54	0.00	0.00	0.39	0.00	0.37	0.75
10	Pre-Treatment Plant	14(1)(i)	0.00	0.00	3.09	0.00	0.00	3.09
11	Roads	14(1)(i)	0.00	0.00	576.21	0.00	0.00	576.21
12	Steam generator Package	14(1)(i) & 54	0.00	0.00	103.53	0.00	2.88	106.40
13	Station C&I	14(1)(i) & 54	0.00	0.00	8.80	0.00	(-)1.23	7.58
14	Station Lighting	14(1)(i)	0.00	0.00	(-)5.89	0.00	0.00	(-)5.89
15	Station Piping	14(1)(i)	0.00	0.00	22.90	0.00	0.00	22.90
16	T&P	14(1)(i)	0.00	0.00	(-)0.16	0.00	0.00	(-)0.16
17	Turbine Generator Package	14(1)(i) & 54	0.00	0.00	355.10	0.00	0.37	355.47
18	Switchyard/Transformer/Bus duct/ Switchgear/ Electrification	14(1)(i) & 54	0.00	0.00	0.00	144.93	0.00	144.93
19	Lighting Installations and associated works	14(1)(i) & 54	0.00	0.00	0.00	83.01	(-)34.42	48.58
20	Offsite Civil/Roads	14(1)(i) & 14(3)(i)	0.00	0.00	0.00	556.20	160.36	716.56
21	Main Plant Civil	14(1)(i) & 14(3)(i)	0.00	0.00	0.00	5.11	1632.73	1637.84
22	C&I	14(3)(i)	0.00	0.00	0.00	153.91	0.00	153.91
23	Water System	14(1)(i), 14(3)(i) & 54	0.00	0.00	0.00	8.05	14.90	22.95
24	Railway Siding & associated works	14(1)(i)	0.00	0.00	0.00	531.72	0.00	531.72
25	SG package	14(1)(i)	0.00	0.00	0.00	(-)0.04	0.00	(-)0.04
26	Township Civil	14(1)(i)	0.00	0.00	0.00	(-)0.09	0.00	(-)0.09
27	Land (ROU for make-up water)	14(1)(i) & 54	0.00	0.00	0.00	0.00	33.28	33.28
28	Transformers & electrical package	14(1)(i)	0.00	0.00	0.00	0.00	(-)6.54	(-)6.54
29	Capital Spares	3, 54 & 14(1)(ii)	0.00	0.00	0.00	1573.85	0.00	1573.85
	<b>Sub Total (B)</b>		<b>0.00</b>	<b>0.00</b>	<b>1695.74</b>	<b>3063.72</b>	<b>1797.72</b>	<b>6557.18</b>
	<b>Total Additional capital expenditure (C=A+B)</b>		<b>39753.71</b>	<b>14759.10</b>	<b>18127.97</b>	<b>3063.72</b>	<b>1797.72</b>	<b>77502.22</b>



14. It is observed from the above, that there is variation in the additional capital expenditure allowed by order dated 1.2.2017 in Petition No. 328/GT/2014 as against those claimed by the Petitioner in the present petition. This variation is on account of (i) the difference in the projected additional capital expenditure allowed by order dated 1.2.2017 in Petition No. 328/GT/2014, and the actual additional capital expenditure claimed in the present petition, and (ii) due to the new items/ assets being claimed in the present petition. It is also observed that the Petitioner has claimed IDC as part of the actual additional capital expenditure incurred during the period from 2014-15 to 2018-19.

15. The Commission vide ROP of the hearing dated 18.11.2021, had directed the Petitioner, to submit the item wise detailed reasons for the variation in cost, along with the reason-wise segregation of the escalated cost, in case of escalation in cost from those approved vide order dated 1.2.2017 in Petition No. 328/GT/2014. In response, the Petitioner vide affidavit dated 16.1.2022 has submitted that the variation between the projected additional capital expenditure claimed in Petition No. 328/GT/2014 and the actual expenditure incurred are within the reasonable limit of less than 5%. It has further submitted that the projected additional capital expenditure claimed in Petition No. 328/GT/2014 are in respect of undischarged liabilities and balance works under different packages within the original scope of work.

16. The Petitioner has stated that it had tried its best to envisage the value of works to be capitalised in the 2014-19 tariff period on projection basis in Petition No 328/GT/2014. However, it was difficult to ascertain the actual expenditure and liability, IDC, IEDC, etc. for the respective works beforehand. As regards the actual additional capital expenditure claimed under the heads of ESP, MGR, Cable Trestle, Station



Lighting, T&P, Communication, Hospital items, etc., which were not projected earlier, Petitioner has submitted that these works are under the original scope of work, which were lying in CWIP and form part of the various work heads already projected for additional capital expenditure and allowed by the Commission. In addition, the Petitioner has submitted that the variation is also due to various other factors, such as, IDC not being part of projected additional capital expenditure, price increase in respective contracts in line with revision in various indices such as labor, material, diesel, etc. released by GOI in during the five-year period, variation in scope of works, etc. Also, in respect of work heads such as SG, TG, AC ventilation, Fire protection system, Railway Siding, AWRS, CHP, Station Piping, CW system, etc., where the amount allowed on projected basis is more than actual additional capital expenditure, including undischarged liability, the Petitioner has submitted that the contract closing process, which is an elaborate exercise involving material reconciliation, defect rectification, completion of balance finishing works, release of retention amount, submission of pending documents, etc. and also PG test in several of the packages, are under way in the 2019-24 tariff period, and hence the payments made on behalf of PG Test/contract closing process shall be claimed during the 2019-24 tariff period. The Petitioner has submitted that initial spares claimed are within the ceiling limit and MBOAs have been procured as per needs of the generating station and the expenditure against the same, has been capitalised within the cut-off date. The Petitioner has also submitted the Revised Cost Estimate (RCE) of the generating station at price level of 2014 (3<sup>rd</sup> Quarter) at cost of Rs.7091.42 crore, as approved by the Competent Authority and that the closing capital cost as on 31.3.2019, as claimed by the Petitioner, for Rs.6661.02 crore, is within the approved RCE.



**A. Additional capital expenditure up to the cut-off date**

17. The COD of the generating station is 30.3.2014 and hence the cut-off date in terms of the 2009 Tariff Regulations is 31.3.2017. The Petitioner has claimed additional capital expenditure of Rs.77502.22 lakh during the period 2014-19, which includes an amount of Rs.72640.78 lakh up to 31.3.2017 (i.e., up to the cut-off date) and Rs.4861.44 lakh during the period 2017-19 (i.e., after the cut -off date). The Commission in its order dated 1.2.2017 in Petition No. 328/GT/2014, had approved the additional capital expenditure of Rs.118515.28 lakh during the period 2014-19, which includes Rs.117515.28 lakh up to 31.3.2017 (i.e., up to the cut-off date) and Rs.1000.00 lakh during the period 2017-19 (i.e., after the cut -off date) towards Ash handling system.

18. The Commission vide ROP of the hearing dated 18.11.2021, had sought the details of capital cost as on the cut-off date. In response, the Petitioner has submitted the Auditor Certified capital cost, as on the COD of the generating station. The Petitioner has also submitted that the issues on matters are still pending and are yet to be settled.

19. The Respondent, CSPDCL has submitted that the Petitioner has claimed additional capital expenditure of Rs.111777 lakh (which includes discharge of liability of Rs.35224 lakh) as against Rs.118515 lakh, approved by order dated 1.2.2017 in Petition No. 328/GT/2014. It has also submitted that the Petitioner has made an excess claim of Rs.47172 lakh, which require thorough investigation. The Respondent has further submitted that the Petitioner has claimed inflated capital cost in Petition No. 328/GT/2014 and also IDC of Rs.5352.77 lakh, which is included in the additional capital expenditure. It has stated that in terms of Regulation 11(A)(1) of the 2014 Tariff Regulations, IDC is allowed only till COD and hence, any IDC beyond COD may be disallowed. The Respondent has further submitted that the 2<sup>nd</sup> proviso to Regulation



11(A)(2) of the 2014 Tariff Regulations, permits IDC beyond COD, only if the delay in execution of the project, was beyond the control of the generator and in that event, IDC is allowed on actual loan. As regards the additional capital expenditure claimed for items like ESP, MGR, station lighting, steel yard, Cable trestle, Capital spares, the Respondent has submitted that the Petitioner has claimed IDC to the tune of Rs 1169.95 lakh, but has not annexed the original scope of works along with the Petition. The Respondent has also made similar submissions as regards IDC for these items, as claimed by the Petitioner.

20. The Respondent MPPMCL has submitted that the Petitioner has claimed additional capital expenditure within the original scope of work, but the details of the original scope of work have not been submitted by the Petitioner. It has also submitted that there is vast difference between the claims made on actual basis as against those allowed by the Commission, and the changes in the items of expenditure claimed, will require fresh prudence check. The Respondent has pointed out that the projections made by the Petitioner, in Petition No. 328/GT/2014, were unrealistic, without any reference to the scope of work and was in order to maximize the capitalization up to the cut-off date. While it has submitted that no amounts were approved for MGR and cable trestle, it has pointed out that no explanation has been provided for the claims that were disallowed by the Commission and not included in the present petition. As regards new claims under Regulation 14 read with Regulation 54 of 2014 Tariff Regulations (power to relax), the Respondent has submitted that the Petitioner has completed these works without obtaining the prior approval of the Commission and neither these works has undergone regulatory scrutiny, nor the comments/observations of the Respondents have been sought. Accordingly, the Respondent has submitted that these claims are liable to be rejected.

21. In response, the Petitioner has submitted the following:

- i. Regarding the Respondent's contention that IDC is allowed till SCOD, it is submitted that as per the Commission's Tariff Regulations the Petitioner is entitled to claim IDC up to the date of capitalisation of the expenditure. This is evident by FORM 9A appended to the Tariff Regulation 2014, which provides for IDC details in accrued expenditure, which further indicates that expenses being claimed for tariff shall be inclusive of applicable IDC. Also, it is submitted that IDC is part of the construction cost and has been incurred by the petitioner on the actual funds deployed on debt for successfully accomplishing the said works, and hence is part of additional capital expenditure incurred. Any asset which is capitalised in the books of accounts includes the interest of debt funding incurred during the installation of the said asset. This interest is considered as the part-fund invested in the asset, and accordingly, the same is included in the capitalisation of the asset. Therefore, the contention of the respondent is without merit and is liable to be rejected.
- ii. Further, the respondent has erred in stating that IDC is allowed only up to SCOD. It is assumed that the answering respondent has placed reliance on the Regulations pertaining to IDC applicable to new projects and the provisions for its allowance or disallowance in case of delay in Scheduled Commercial Operation Date ("SCOD"). However, the answering respondent has failed to consider that the 2014 Tariff Regulations categorically provide that IDC would be considered for additional capitalisation of assets for existing projects.
- iii. As per the provisions of INDAS, borrowing costs include interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing costs that are directly attributable to the acquisition, construction, or production of a qualifying asset form part of the cost of that asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Accordingly, these provisions establish criteria for the recognition of interest as a component of the carrying amount of item of property, plant and equipment.
- iv. With regard to respondent's contention towards certain items such as MGR, Cable Trestle, etc. claimed in the petition but were not part of the order dated 1.2.2017, it is submitted that the order dated 1.2.2017 was for claims made on projection basis and the said items now claimed on truing up are covered under original scope of work and are part of the various work packages projected for additional capital expenditure and already allowed by the Commission in the said order. The Petitioner had already provided the details of works/packages included in original scope of works under Form 5B and Form 5D of the Petition No 69/GT/2013 and the same were approved by the Commission vide order dated 21.9.2015 in the said petition.
- v. Regarding new claim made under Regulation 14 and Regulation 54 of the 2014 Tariff Regulations, it is submitted that appropriate justification has been provided by the Petitioner in Form 9A against the claim of respective items.

22. The matter has been considered. It is observed from the above, that the Petitioner



has claimed total additional capital expenditure of Rs.72640.78 lakh during the 2014-17 tariff period (i.e., up to the cut-off date) including initial spares for Rs.1444.16 lakh (on cash basis), as against the total additional capital expenditure of Rs.117515.30 lakh allowed during the period 2014-17 (i.e., up to cut-off date) including initial spares of Rs 16864.58 lakh in order dated 1.2.2017 in Petition No.328/GT/2014. From the justification submitted by the Petitioner, it is evident that the actual additional capital expenditure claimed for the years 2014-15, 2015-16 and 2016-17 are in respect of un-discharged liabilities, balance works under different packages which are within the original scope of work and within the cut-off date of the generating station (31.3.2017). Accordingly, the claim of the Petitioner for Rs.61196.62 lakh (Rs.36908.27 lakh in 2014-15, Rs.12746.89 lakh in 2015-16 and Rs.11541.45 lakh in 2016-17) excluding initial spares of Rs.11444.16 lakh, for the 2014-17 tariff period claimed under Regulation 14 (1)(i) and 14(1)(ii) of the 2014 Tariff Regulations, based on the justification that all these works form part of the original scope of the project and are within the cut-off date of the generating station is considered and allowed. Hence, the actual additional capital expenditure of Rs 61196.62 lakh (excluding initial spares) claimed for the period 2014-17 is allowed on prudence check, under Regulation 14 (1)(i) and Regulation 14(1)(ii) of the 2014 Tariff Regulations.

***B. Additional capital expenditure after the cut-off date i.e. 2017-18 and 2018-19***

23. The Petitioner has claimed additional capital expenditure of Rs.4861.44 lakh during the period 2017-19 (Rs.3063.72 lakh in 2017-18 and Rs.1797.72 lakh in 2018-19) i.e. after cut-off date under Regulation 14(1)(i), Regulation 14(2)(iii), Regulation 14(3)(i) and Regulation 54 of the 2014 Tariff Regulations. The Commission in its order dated 1.2.2017 in Petition No. 328/GT/2014 had approved the additional capital expenditure of Rs.1000.00 lakh during the period 2017-19 for Ash dyke only.



24. The Respondent, CSPDCL has submitted that Regulation 14(1)(i) of the 2014 Tariff Regulations pertains to additional capital expenditure beyond the COD and up to “Cut-off” date, on account of undischarged liabilities recognized to be payable at a future date. The Respondent has also submitted that the petitioner has not furnished any justification or referred to any court case, on account of which the above amount was required to be paid and accordingly, the Petitioner may be directed to provide proper justification failing which, the amount claimed may be disallowed. The Petitioner in rejoinder vide affidavit dated 3.11.2021 has reiterated its submissions in the Petition.

25. The matter has been considered. It is observed that the Commission vide its order dated 9.10.2018 in Petition No. 38/MP/2018 had extended the cut-off date to 31.3.2019, in respect of the Railway Siding works only, while in respect of the other expenditures towards Land compensation, Water System, Main Plant & offsite civil works, Steam Turbine, TG package and Station C&I, it was observed that the claim shall be dealt with in terms of Regulation 14(3)(i) of the 2014 Tariff Regulations as and when the arbitration cases were settled. The Petitioner has also submitted that the final decision in the arbitration case of land compensation, Water System and Main Plant & offsite civil works are still pending. For this reason, we have not considered any amount for additional capitalization towards these items (except Steam Turbine, TG package and Station C&I). We however, grant liberty to the Petitioner to claim the additional expenditure on these counts, after a final decision is taken in the arbitration cases and the same will be considered in accordance with law and subject to production of all details/supporting documents.

26. As regards C&I, the Petitioner has submitted that the balance civil works under Main Plant & Offsite civil works package, were offloaded and completed subsequently.





It has also submitted that the C&I agency could then proceed for completion of the balance works only after completion of the civil works. The Petitioner has further submitted that the C&I works were completed, put to use and capitalised for Rs.153.91 lakh in 2017-18. In view of this, the additional capital expenditure of Rs.153.91 lakh claimed in 2017-18 for C&I works is allowed in exercise of the power to relax under Regulation 54 of the 2014 Tariff Regulations.

27. The Commission had allowed the additional capital expenditure claimed for Ash related works for Rs.7.07 lakh in 2017-18 and Rs.22.64 lakh in 2018-19 under Regulation 14(3)(iv) of the 2014 Tariff Regulations and Railway siding & associated works for Rs.531.72 lakh in 2017-18 under Regulation 14(1)(i) of the 2014 Tariff Regulations. Further, the Petitioner has claimed additional capital expenditure towards new claims, after the cut-off date of the generating station, towards Coal handling plant for (-) Rs.27.60 lakh in 2018-19, Fire detection & Protection system for Rs.0.37 lakh in 2018-19, Steam generator package of Rs.2.88 lakh in 2018-19, Station C&I of (-) Rs.1.23 lakh in 2018-19, Turbine generator package of Rs.0.37 lakh in 2018-19, Switchyard/ transformer/ bus duct/ switchgear/ electrification of Rs.144.93 lakh in 2017-18, Land (ROU for make-up water) Rs.33.28 lakh in 2018-19 and Transformers and electrical package of (-)Rs.6.54 lakh in 2018-19 under Regulation 14(1)(i) and Regulation 54 of the 2014 Tariff Regulations. In justification for the claims, the Petitioner has submitted that these are the adjustments pertaining to the various packages under the original scope of work and have already been completed and kept under put to use, within the cut-off date. It has also submitted that the balance payment withheld for defect removal/ bill settlement etc. have also been released for these works for closure of the contract. Regulation 14(1)(i) of the 2014 Tariff Regulations pertains to additional capital expenditure beyond the COD and up to 'cut-off' date, on account of undischarged



liabilities recognized to be payable at a future date. As the undischarged liabilities claimed are not recognized before the cut-off date, Regulation 14(1)(i) of 2014 Tariff Regulations is not applicable. However, as these are adjustments for balance payments for works within the original scope of work executed before cutoff date, we in exercise of the power under Regulation 54 of the 2014 Tariff Regulations, relax Regulation 14(3)(v) and allow the said adjustments claimed after the cut-off date.

28. The Petitioner has also claimed negative adjustments for SG package of Rs.0.04 lakh in 2017-18 and Township civil works for Rs.0.09 lakh under Regulation 14(1)(i) of the 2014 Tariff Regulations. In justification for the same, the Petitioner has submitted that these are the adjustments pertaining to the various packages under the original scope of work, which have already been completed and kept under put to use within the cut-off date. It has however submitted that the balance payments withheld for defect removal/ bill settlement etc. have been released, for these works, for closure of the contract. As the negative adjustment claimed for SG package of Rs.0.04 lakh in 2017-18 and township civil of Rs.0.09 lakh is in order, the same are allowed.

29. As regards Lighting installations & associated works for Rs.83.01 lakh in 2017-18 and (-) Rs.34.42 lakh in 2018-19, the Petitioner has submitted that these works have already been completed and are kept under put to use within the cut-off date. It has however submitted that balance payments withheld for defect removal/ bill settlement etc., have been released for these works for closure of the contract. It is observed from Form 18 that the Petitioner has created liability in 2017-18 with the head set-up of 150 KWp Canal Top Solar PV on CW Channel of Stage-I of the generating station. As 150 KWp Canal Top Solar PV on CW Channel do not form part of the original scope, the claim is not allowed. Hence, the additional capital expenditure of Rs.83.01 lakh in 2017-18 and (-) Rs.34.42 lakh in 2018-19 claimed for Lighting installations & associated works

