

video conferencing on 30.11.2021 and the Commission, after permitting the Respondents and Objector to file its reply/additional submissions, reserved its order in the matter. The Petitioner also filed the note of arguments (of hearing dated 25.5.2021) after serving copy on the Respondents. In compliance to the directions of the Commission, the Petitioner has filed additional submission vide affidavit dated 20.12.2021, after serving copy on the Respondents/Objector. However, as the order in the petition could not be issued prior to the Chairperson Shri P.K. Pujari demitting office, the Petition was re-listed and heard through virtual hearing on 24.6.2022 and the Commission, reserved its order in the petition, after directing the petitioner to file certain additional information. In compliance thereof, the Petitioner has filed the additional submissions vide affidavit dated 13.7.2022, after serving copies on the Respondents/Objector. Taking into consideration the submissions of the parties and the documents available on record, we proceed to examine the claims of the Petitioner, in this petition, on prudence check, as stated in the subsequent paragraphs.

Capital Cost

10. In regard to capital cost, Regulation 9 (3) of the 2014 Tariff Regulations provides as under:

“9. Capital Cost:

(3) The Capital cost of an existing project shall include the following:

- (a) the capital cost admitted by the Commission prior to 1.4.2014 duly trued up by excluding liability, if any, as on 1.4.2014.*
 - (b) additional capitalization and de-capitalization for the respective year of tariff as determined in accordance with Regulation 14; and*
 - (c) expenditure on account of renovation and modernisation as admitted by this Commission in accordance with Regulation 15.*
- xxx...”*

11. The Commission vide its order dated 29.7.2016 in Petition No. 464/GT/2014 had allowed the closing capital cost of Rs. 6343.40 lakh as on 31.3.2014. The same has been considered as the opening capital cost as on 1.4.2014, in accordance with Regulation 9(3)(a) of the 2014 Tariff Regulations.



Additional Capital Expenditure

12. Clause (3) of Regulation 7 of the 2014 Tariff Regulations provides that the application for determination of tariff shall be based on admitted capital cost including any additional capital expenditure already admitted up to 31.3.2014 (either based on actual or projected additional capital expenditure) and estimated additional capital expenditure for the respective years of the 2014-19 tariff period. Regulation 14 of the 2014 Tariff Regulations, provides as under:

“14 (3) The capital expenditure, in respect of existing generating station or the transmission system including communication system, incurred or projected to be incurred on the following counts after the cut-off date, may be admitted by the Commission, subject to prudence check:

(i) Liabilities to meet award of arbitration or for compliance of the order or decree of a court of law;
(ii) Change in law or compliance of any existing law;
(iii) Any expenses to be incurred on account of need for higher security and safety of the plant as advised or directed by appropriate Government Agencies of statutory authorities responsible for national security/internal security;

(iv) Deferred works relating to ash pond or ash handling system in the original scope of work;
(v) Any liability for works executed prior to the cut-off date, after prudence check of the details of such un-discharged liability, total estimated cost of package, reasons for such withholding of payment and release of such payments etc.;

(vi) Any liability for works admitted by the Commission after the cut-off date to the extent of discharge of such liabilities by actual payments;

(vii) Any additional capital expenditure which has become necessary for efficient operation of generating station other than coal / lignite-based stations or transmission system as the case may be. The claim shall be substantiated with the technical justification duly supported by the documentary evidence like test results carried out by an independent agency in case of deterioration of assets, report of an independent agency in case of damage caused by natural calamities, obsolescence of technology, up-gradation of capacity for the technical reason such as increase in fault level;

(viii) 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 powerhouse 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;

(ix) In case of transmission system, any additional expenditure on items such as relays, control and instrumentation, computer system, power line carrier communication, DC batteries, replacement due to obsolescence of technology, replacement of switchyard equipment due to increase of fault level, tower strengthening, communication equipment, emergency restoration system, insulators cleaning infrastructure, replacement of porcelain insulator with polymer insulators, replacement of damaged equipment not covered by insurance and any other expenditure which has become necessary for successful and efficient operation of transmission system; and

(x) Any capital expenditure found justified after prudence check necessitated on account of modifications required or done in fuel receiving system arising due to non-materialization of coal supply corresponding to full coal linkage in respect of thermal generating station as result of circumstances not within the control of the generating station:



Provided that any expenditure on acquiring the minor items or the assets including tools and tackles, furniture, air-conditioners, voltage stabilizers, refrigerators, coolers, computers, 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. 1.4.2014

13. The details of the additional capital expenditure allowed vide order dated 20.9.2016 in Petition No. 354/GT/2014 and claimed in this petition is summarized as under:

(Rs. in lakh)								
	Capital cost as on 31.3.2014	Additional Capital Expenditure (2014-19)						Capital cost as on 31.3.2014
		2014-15	2015-16	2016-17	2017-18	2018-19	Total	
Claims approved in Order dated 20.9.2016 in Petition No. 354/GT/2014								
Maithon Hydel	6343.40	72.85	69.52	11.02	0.00	0.00	153.39	6496.79
Share of Maithon Dam		0.00	0.00	0.00	0.00	0.00	0.00	
Share of Konar Dam		0.00	0.00	0.00	0.00	0.00	0.00	
Total additional capital expenditure		72.85	69.52	11.02	0.00	0.00	153.39	
Claims made in this petition (considering revised claim as per affidavit dated 13.7.2022)								
Maithon Hydel	6343.40	10.54	0.46	16.88	8.54	7.74	44.16	6400.55
Share of Maithon Dam		5.65	3.83	0.00	0.00	1.05	10.53	
Share of Konar Dam		0.11	1.79	0.00	0.00	0.57	2.47	
Total additional capital expenditure		16.29	6.09	16.88	8.54	9.35	57.15	

14. The Petitioner in Form-9A of the petition has claimed the additional capital expenditure incurred for the period 2014-19. The Petitioner has submitted that IDC and undischarged liabilities were maintained on a consolidated basis, on year to year, but not item-wise, and therefore, the additional capital expenditure claimed for each item, is on accrual basis. Further, it is observed that the Petitioner, apart from its claim for additional capital expenditure, has also claimed expenses towards Maithon Dam and Konar dam, which are to be considered only for power generation, named as 'Power Component' excluding the expenses towards Irrigation component and Flood control components, towards these Dams of this multi-purpose project. It is further noticed that the apportioned cost with respect to Maithon and Konar Dam, has been arrived at after factoring 33% of the total expenses, on account of Power Component. As regards, the Power Component of Konar dam (after factoring 33% of total expenses), the expense has been further apportioned towards the generating station along with Panchet and Tilaiya Hydel



station, applicable at the rate of 54.13%, 43.58% and 2.28% respectively. Since the generating station and appurtenant works (Works towards Maithon Dam & Konar Dam) contribute for power generation as well as for irrigation and flood control purposes, its cost has been apportioned for power generation, irrigation system and flood control, depending upon the proportion of water utilization for systems.

15. Accordingly, the additional capital expenditure claimed by the Petitioner, for the period 2014-19 is summarised below:

(Rs. in lakh)

	2014-15	2015-16	2016-17	2017-18	2018-19	Total
Maithon Generating Station (A)						
Buildings	4.46	0.00	15.24	1.62	0.00	21.33
Sub Station Equipment	6.08	0.00	0.11	6.92	0.45	13.57
Computer and IT Assets	0.00	0.46	0.00	0.00	3.50	3.97
Other Assets	0.00	0.00	1.52	0.00	3.78	5.30
Subtotal Additional capital expenditure claimed	10.54	0.46	16.88	8.54	7.74	44.16
Maithon Dam (B)						
Buildings	17.11	11.61	0.00	0.00	63.16	91.89
Sub Station Equipment	0.00	0.00	0.00	0.00	0.00	0.00
Roads Bridges	0.00	0.00	0.00	0.00	0.00	0.00
Other Assets	0.00	0.00	0.00	0.00	0.50	0.50
Subtotal Additional capital expenditure claimed	17.11	11.61	0.00	0.00	63.66	92.39
Power Component in total Additional capital expenditure claimed (@33%) A+B	5.65	3.83	0.00	0.00	1.05	10.53
Konar Dam (C)						
Buildings	0.00	10.03	0.00	0.00	0.00	10.03
Sub Station Equipment	0.00	0.00	0.00	0.00	2.80	2.80
Computer IT assets	0.59	0.00	0.00	0.00	0.00	0.59
Other Assets	0.00	0.00	0.00	0.00	0.38	0.38
Subtotal Additional capital expenditure claimed	0.59	10.03	0.00	0.00	3.18	13.80
Power Component in total Additional capital expenditure claimed	0.19	3.31	0.00	0.00	1.05	4.55
Power Component allocated to the generating station [@ 54.13%]	0.11	1.79	0.00	0.00	0.57	2.47
Total Additional capital expenditure claimed	16.29	6.09	16.88	8.54	9.35	57.15



16. We now proceed to examine the claim of the Petitioner, as stated below:

Additional Capital Expenditure pertaining to the generating station

a) Buildings

(Rs. in lakh)

Sl. No.	Assets/Works	Amount Claimed	Regulation	Justification and Reasons of Admissibility	Amount Allowed
	2014-15				
1	Surface hardening of store yard	0.97	14(3)(viii)	The Petitioner has submitted that the expenditure is towards surface hardening of store yard of the Camp Powerhouse (or) Colony Electrical Distribution system of Maithon Project for strengthening of the surface and facilitation of material movement at the store yard. Considering the fact that the expenditure incurred is for assets which are in the nature of O&M expenses, the additional capitalization claimed is not allowed .	0.00
2	Construction of toilets	3.50	14(3)(viii)	The Petitioner has submitted that this expenditure is towards construction of four numbers of toilets (two ladies and two gents' toilets) at the Camp Powerhouse (or) Colony Electrical Distribution system of Maithon Project for convenience of the personnel working there. Considering the fact that the expenditure incurred is for assets which are in the nature of O&M expenses, the additional capitalization claimed is not allowed .	0.00
	2016-17				
3	Extension work of two numbers switching stations	3.98	14(3)(viii)	The Petitioner has submitted that this expenditure is towards extension work of two numbers of existing switching stations at the Camp Powerhouse (or) Colony Electrical Distribution system of Maithon Project to meet the system requirements and facilitate operations. Considering the fact that the expenditure incurred is for Electrical Distribution systems of the Colony and not directly related to plant operation, the additional capitalization claimed is not allowed .	0.00
4	Construction work of three numbers switching stations	7.26	14(3)(viii)	The Petitioner has submitted that this expenditure is towards construction of three numbers of new switching stations at the Camp Powerhouse (or) Colony Electrical Distribution system of Maithon Project to cater the increased system requirements and facilitate operations.	0.00



Sl. No.	Assets/Works	Amount Claimed	Regulation	Justification and Reasons of Admissibility	Amount Allowed
				Considering the fact that the expenditure incurred is for Electrical Distribution system of the Colony, the additional capitalization claimed is not allowed .	
5	Concrete flooring and fencing of store yard	4.00	14(3)(viii)	The Petitioner has submitted that this expenditure is towards concrete flooring and fencing of store yard of the Camp Powerhouse (or) Colony Electrical Distribution system of Maithon Project for enhancing security measures and facilitating of material movement at the store yard. Considering the fact that the expenditure incurred is for assets which are in the nature of O&M expenses, the additional capitalization claimed is not allowed .	0.00
	2017-18				
6	Correction of wrong booking for modification of CPH Building	1.48	-	The Petitioner has submitted that this expense is the rectification entries shown in Form-9A due to accounting entries for inter-unit transfer of asset between DAM (Maithon & Konar) and different tariff stations of DVC. It has stated that the above transfer may be considered under the exclusion category for Asset addition/deletion of Maithon DAM & Konar DAM. Hence the exclusion of these entries is allowed .	0.00
7	Correction of wrong booking for renovation of store yard CPH	0.14	-		0.00
	Total amount claimed	21.33			
	Total amount allowed				0.00

b) Sub Station Equipment

(Rs. in lakh)

Sl. No.	Assets/Works	Amount Claimed	Regulation	Justification and Reasons of Admissibility	Amount Allowed
	2014-15				
1	36 KV, 2000-amp, 20 ka vacuum circuit breakers with support structure	2.27	14(3)(viii)	The Petitioner has submitted that this expenditure is for replacement of the existing old Vacuum Circuit Breaker (VCB) at the switchyard with new VCB along with support structure. The existing VCB had outlived its useful life and the replacement was necessary in order to ensure efficient and reliable operation of the system. Considering the fact that the assets/works are considered necessary for the successful and efficient plant operation of the generating station, the expenditure is	2.27

