PUNJAB STATE ELECTRICITY REGULATORY COMMISSION

SITE NO. 3, BLOCK B, SECTOR 18-A MADHYA MARG, CHANDIGARH

Petition No. 56 of 2022
(Suo-Motu)
Date of Order: 01.06.2023

Petition No. 56 of 2022 (Suo Motu) for determination of Annual Fixed Cost for True-up of FY 2020-21 and FY 2021-22 for EPPL's 100 MW Malana II Hydro Electric Project situated in Himachal Pradesh.

And

In the matter of: Commission on its own motion.

Versus.

1. M/s Everest Power Private Limited, Plot No. 13, Sy.No.64 Part, Block- D, Third Floor, Hitech City Layout, Madhapur Village, Hyderabad-500081- The Generator.
2. Punjab State Power Corporation Limited, Shed No. F-4, Shakti Vihar Patiala-147001.

Commission: Sh. Viswajeet Khanna, Chairperson
Sh. Paramjeet Singh, Member

EPPL: Sh. Rakesh Shah, Sr. Vice President
Sh. Pushpinder Hira, Manager

PSPCL: Sh. Anand K Ganesan, Advocate.

ORDER

1.0 M/s Everest Power Private Limited (EPPL) failed to file petition for True-up of FY 2020-21 and FY 2021-22 for its 100 MW Malana II Hydro Electric Project situated in Himachal Pradesh within the stipulated period and the Commission taking Suo-Motu notice, vide order dated 23.08.2022 in petition No. 01 of 2022 filed by EPPL, initiated the process of determination of Annual Fixed Cost for True-up for FY 2020-21 and FY 2021-22. Vide Order dated 23.08.2022, EPPL was directed to submit information as mentioned in the Order and notice was issued to EPPL as well as Punjab State Power Corporation Limited (PSPCL). EPPL submitted information vide letter dated 05.09.2022 and further submitted additional information vide letter dated 28.10.2022. Vide Order dated 10.11.2022 EPPL was directed to submit further information as mentioned in the order and to publish a public notice inviting objections/suggestions from the persons/organizations having interest in the matter. EEPL submitted additional information vide letter dated 22.11.2022 and letter dated

02.12.2022. The information submitted by EPPL was uploaded on the website of the Commission as well as that of EPPL.

1.1 Public notice inviting suggestions/objections was published in the newspapers on 26.11.2022. The petition was taken up for hearing as well as public hearing on 11.01.2023 however, nobody appeared from the public in public hearing. PSPCL filed its reply to the petition vide memo No. 5016 dated 02.01.2023 and EPPL filed rejoinder thereto vide letter dated 07.01.2023. After hearing the parties on 11.01.2023, Order was reserved.

2.0 The Commission has examined the submissions made by EPPL, reply filed by PSPCL and the other documents adduced on the record and after hearing the parties decides as under:

Capital Expenditure (Additional Capitalization) for FY 2020-21 & FY 2021-22:

The Commission vide its Order dated 18.09.2020 in Petition No. 02 of 2020,filed by EPPL for approval of the Capital Investment Plan (CIP) for the 2nd MYT Control Period from FY2020-21 to FY 2022-23,has allowed the provision for Capex as under:

Table No.1: Capital expenditure provisionally allowed in the CIP

(Rs. Crore)

S.N.	Head	Claimed by EPPL	FY 2020-21	FY 2021-22	FY 2022-23	Total
1.	Purchase of Runners & Nozzle Assembly	**5.50**	5.50	-	-	**5.50**
2.	Left Abutment Slope Stabilization Measures	**1.00**	*	*	*	*****
3.	Upgradation of SCADA Systems in Power House and Chhaur Substation	**0.70**	*	*	*	*****
4.	Construction of Chute Spillway	**15.00**	-	15.00	-	**15.00**
5.	Construction of Bridge/ Culvert	**1.05**	0.65	0.20	0.20	**1.05**

(Rs. Crore)

S.N.	Head	Claimed by EPPL	FY 2020-21	FY 2021-22	FY 2022-23	Total
1.	Purchase of Runners & Nozzle Assembly	**5.50**	5.50	-	-	**5.50**
2.	Left Abutment Slope Stabilization Measures	**1.00**	*	*	*	*
3.	Upgradation of SCADA Systems in Power House and Chhaur Substation	**0.70**	*	*	*	*
6.	Procurement of Material due to Change in the Power Evacuation System	**3.05**	-	3.05	-	**3.05**
7.	Miscellaneous Expenses/tools and tackles)	**1.01**	-	-	-	-
	Total	**27.31**	**6.15**	**18.25**	**0.20**	**24.60**

**to be considered on merit in the True up petition*

In this petition, EPPL has claimed the following Capital expenditure for True-up of FY 2020-21 and FY 2021-22:

Table No.2: Capital expenditure submitted for True-up

(Rs.Crore)

Sr. No	Head	FY 2020-21	FY 2021-22
1	Purchase of Runners & Nozzle Assembly	-	6.02
2	Left Abutment Slope Stabilization Measures	0.92	-
3	Construction of New Bridge	0.44	-
4	Miscellaneous Expenses	2.29	0.21
5	**TOTAL**	**3.65**	**6.23**

The Commission notes that Regulation 12 (True-up) of the PSERC MYT Regulations 2019 states that the Capital Expenditure, Capitalization and associated ARR items shall be normally trued up at the end of the Control Period. However, keeping in view the substantial difference in the Capex submitted by the Petitioner in this petition for true-up vis-à-vis that provisioned in the CIP, the Commission is of the view that that it would be prudent to carry out the true-up of the same as well. Accordingly, the Commission analyses and decides the same as under:

2.1 PURCHASE OF RUNNERS AND NOZZLES ASSEMBLY

2.1.1 EPPL's submission

EPPL has submitted that the Commission vide its order dated 30.07.2018 has allowed Purchase of one set of Runners (1&2) in FY 2017-18 and another set of Runners (3 & 4) in FY 2018-19. EPPL has already claimed costs towards purchase of one set of Runners (1 &2) in the FY 2018-19. Subsequently, the Commission allowed the provision of Rs 5.50 Crore excluding taxes under the head 'Purchase of Runners & Nozzle Assembly' vide order dated 18.09.2020 and 09.03.2021 for the remaining set of Runners (3 & 4). As per the audited accounts for FY 2021-22 (note 3 of Audited Balance Sheet as of March 2022), it has incurred an amount of Rs. 6.02 Crore including taxes towards purchase of Runners (3 & 4) during FY 2021-22. Copy of the invoice and audited Balance Sheet for FY 2021-22has been also submitted. Accordingly, EPPL requests for approval of additional capitalization of Rs. 6.02 Crore towards the Purchase of Runners & Nozzle Assembly for FY 2021-22.

2.1.2 PSPCL's submission

PSPCL has submitted that on the issue of purchase of Runners and Nozzles Assembly the Commission *vide* Order dated 18.09.2020 while approving the capital investment plan for FY 2020-21 to FY 2022-23 had held as under:

> *"Considering the above, the Commission holds that only provisioning of Rs.5.50 crore for FY 2020-21 as per submissions of EPPL for runners and nozzle assembly can be allowed in the capital investment plan, subject to the adjustment of the insurance claim. The amount net of insurance claim shall be considered on merits after prudence check by the Commission in the True up petition when claimed by EPPL, with full justification alongwith the vouchers /bills and audited accounts."*

Further, the Commission *vide* Order dated 09.03.2021 while approving the AFC for FY 2020-21 to FY 2022-23 has held as under:

> *"2.32 This matter was considered at length earlier and based on the report from IIT Roorkee, the purchase of Runners and Nozzle assembly had been allowed in Order dated 30.07.2018 in Petition*

No. 24 of 2017. EPPL has now raised the claim of runner and nozzle damages with New India Insurance Company and is advised to pursue the same. Therefore, considering the submissions of the parties, the Commission provisionally allows the amount of Rs. 5.50 Crore + taxes = Rs.6.02 Crore incurred by EPPL for purchase of runners (1&2) during FY 2018-19 subject to the adjustment of amounts received from the Insurance Company. EPPL has already decapitalized the runners for an amount of Rs.2.14 Crore which is considered in the Gross Fixed Assets."

PSPCL has submitted that the Petitioner is silent on the status of the insurance claim raised by it. On this account alone, the entire cost as sought for should be rejected and the Petitioner be directed to place on record the status of the insurance claim. Even otherwise, this Commission may kindly apply prudence check on the cost as claimed.

2.1.3 EPPL's Rejoinder to PSPCL's submission

EPPL has submitted that it has not claimed any insurance claim towards replacement of old runners. The same is not a claimable reimbursement/expense as wear and tear is a standard exclusion under IAR Policy. The matter was discussed with Insurance advisors including M/s India Insure and they confirmed that Insurance Claim for the runners is not admissible. The relevant clause of IAR policy is detailed below:

"EXCLUDED CAUSES

This policy does not cover damage to the property insured caused by:

i) faulty or defective design materials or workmanship inherent vice latent defect gradual deterioration deformation or distortion or ***wear and tear"***

Considering above, the Commission is requested to allow Rs.6.02 Crore as an additional capitalisation incurred towards the Purchase of Runners & Nozzle Assembly for FY 2021-22.

2.1.4 Commission's Analysis

a) In Order dated 30.07.2018 in Petition 24 of 2017 filed for approval of CIP for the 1st MYT Control Period of FY 2017-18 to FY 2019-20, the Commission provisionally allowed the capital investment of Rs. 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 certifying that there is no other economical alternative except replacement of runners with new runners.

b) EPPL submitted the IIT Roorkee report vide letter dated 06.12.2018, stating as under:

"4. …………………… Even with silt concentration less than the permissible limits, it has been observed that the runners & nozzles have extensive damage.

……………………

6. CONCLUSIONS AND RECOMMENDATIONS

In view of the observations made during the above site inspections, the following conclusions can be derived, and recommendations made:

1. *During the site inspection, the condition of the existing runners was found to be in a very bad shape and there exists no other alternative except immediate replacement of the existing runners for smooth operation of the power station for avoiding revenue loss.*
2. *Four (4) numbers of runners are required, two for immediate installation in the units and two as spares to take care of replacement and refurbishment during Annual Maintenance."*

c) The Commission in Order dated 03.09.2019 in petition no. 23 of 2017 filed by EPPL for approval of AFC for the MYT Control Period from FY 2017-18 to FY 2019-20 has held as under:

"The Commission notes that the material viz. Civil & Hydro mechanical, Electromechanical (Plant & Machinery), Step-up Sub-Station of 132/220 kV 'Chaur' (location: 220/132 kV Chaur sub-station, V.P.O. Chaur, Tehsil &Distt. Kullu-175125, HP and 132 kV Double Circuit Transmission Line and associated Equipment of EPPL are insured for a sum of Rs. 988 crore and premium is being paid. The insurance policy provides as under:

"i. As regards buildings, plants and machinery, furniture, fixture, fittings etc. the cost of replacement or reinstatement on the date of replacement or reinstatement subject to the maximum liability being restricted to the sum insured in respect of that category of the item under the policy."

The Commission observes that IIT Roorkee in its report mentioned that even with silt concentration less than the permissible limit, the runners and nozzles have suffered extensive damage. Thus, damage to plant and machinery is covered in the Insurance Policy. EPPL stated in the court that no claim has been raised with the insurance company to either get the insured value or to replace the runners. EPPL is directed to take up the matter with the Insurance Company and come back to the Commission on this issue during true up. Hence this issue is not being adjudicated at this time."

d) In Petition No. 02 of 2020 filed for approval of CIP for FY 2020-21 to FY 2022-23, considering the Petitioner's submission that on 14.07.2020 it has preferred an insurance claim and the insurance company has asked for the photographs of the damaged equipment which have been furnished on 24.07.2020, the Commission has held as under:

"Considering the above, the Commission holds that only provisioning of Rs.5.50 crore for FY 2020-21 as per submissions of EPPL for runners and nozzle assembly can be allowed in the capital investment plan, subject to the adjustment of the insurance claim. The amount net of insurance claim shall be considered on merits after prudence check by the Commission in the True up petition when claimed by EPPL, with full justification alongwith the vouchers /bills and audited accounts."

e) In petition 16 of 2020, filed for true-up of FY 2017-18 and FY 2018-19, the commission has held as under:

"2.32 ….EPPL has now raised the claim of runner and nozzle damages with New India Insurance Company and is advised to pursue the same. Therefore, considering the submissions of the parties, the Commission provisionally allows the amount of Rs. 5.50 Crore + taxes = Rs.6.02 Crore incurred by EPPL for purchase of

runners (1&2) during FY 2018-19 subject to the adjustment of amounts received from the Insurance Company. EPPL has already decapitalized the runners for an amount of Rs.2.14 Crore which is considered in the Gross Fixed Assets.”

f) Now, in the true-up of FY 2021-22, the Petitioner has claimed a Capex of Rs. 6.02 Crore for procurement of second set of runners and nozzles. However, in reply to the PSPCL’s objections on the issue of insurance claim, EPPL submitted that it has not claimed any insurance claim towards replacement of old runners as the wear and tear claims are not a claimable reimbursement/expense under the Policy.

As is evident, the Commission vide Order dated 03.09.2019 in petition no. 23 of 2017 has directed the petitioner EPPL to take up the matter with the Insurance Company and come back to the Commission on this issue during true-up. In Petition No. 02 of 2020 the Petitioner had submitted that on 14.07.2020 it has preferred an insurance claim and the insurance company has asked for the photographs of the damaged equipment which have been furnished on 24.07.2020. Thereafter in Petition No. 16 of 2020, after observing that “EPPL has now raised the claim of runner and nozzle damages with New India Insurance Company and is advised to pursue the same” the Commission proceeded to provisionally allows the amount of Rs. 5.50 Crore + taxes = Rs.6.02 Crore incurred by EPPL for purchase of runners (1&2) during FY 2018-19 subject to the adjustment of amounts received from the Insurance Company.

However, now the Petitioner has submitted that it has not claimed any insurance claim towards replacement of old runners as the wear and tear claims are not a claimable reimbursement/ expense under the Policy. This stand of the Petitioner is not consistent with its earlier submissions in the matter and the consequent Commission’s Order in Petition no. 16 of 2020.

Since it is the case of the Petitioner now that insurance claim for the runners is not admissible as ‘wear and tear’ is not a claimable reimbursement/expense under Insurance Policy, the Commission is of the view that it ought to be considered under the Repair and Maintenance (R & M) Expenses being allowed separately on normative

basis and not as a capital expenditure. The claim herein by the Petitioner amounts to charging twice for the same expense which is already being covered under the R & M Expenses.

In view of the above observations, the Commission disallows the cost for purchase of runners and nozzles Assembly as capital expenditure for the purpose of determination of AFC of the Petitioner.

Since it has now emerged that the cost of replacement of Runners and Nozzles Assembly is covered under the normative R & M Expense and is not a capital expenditure and the Petitioner's earlier submissions that it has preferred an insurance claim for the same and photographs of the damaged equipment stand furnished to the insurance company turns out to be a fallacious statement, the Commission is of the view that the expenses provisionally allowed earlier under capital expenditure for FY 2018-19 also need re-consideration. However, as the Order in Petition 16 of 2020 is already under appeal before Hon'ble APTEL filed by the Petitioner, this issue may be brought appropriately for consideration by Hon'ble APTEL.

2.2 LEFT ABUTMENT SLOPE STABILIZATION MEASURES

2.2.1 EPPL's submission

EPPL, in petition no. 02 of 2020, inter-alia had requested the Commission for approval of capital expenditure provision of Rs. 1.00 Crore under the head of Left Abutment Slope Stabilization Measures. Against the same, the Commission in its order dated 18.09.2020 stated that the EPPL's claim would be considered in the true up petition along with the full justification, vouchers / bills, and audited accounts on merits. As per the audited accounts for FY 2020-21(note 3 of Audited Balance Sheet as of March 2021), EPPL has incurred an amount of Rs. 0.92 Crore towards Left Abutment Slope Stabilization Measures during FY 2020-21.Copy of the invoices and audited Balance Sheet has been also submitted. Accordingly, EPPL requests for approval of additional capitalization of Rs. 0.92 Crore towards Left Abutment Slope Stabilization Measures for FY 2020-21.

2.2.2 PSPL' submission

PSPCL has submitted that on the issue of construction of Left Abutment Slope Stabilization Measures the Commission *vide* Order dated 18.09.2020 while approving the capital investment plan for FY 2020-21 to FY 2022-23 had categorically held that the expenditure of Rs. 1.00 Crore would be considered after insurance claim has been settled. However, in the present Petition there is not the slightest whisper of the status of the insurance claim let alone any realized insurance amount. On this account alone, the entire cost as sought for should be rejected and the Petitioner be directed to place on record the status of the insurance claim. Even otherwise, this Commission may kindly apply prudence check on the cost as claimed.

2.2.3 EPPL's Rejoinder to PSPCL's submission

EPPL has submitted that the said incident has occurred on 26.04.2019 and intimation to insurance company was made on 29.04.2019 and not 29.05.2019 (typographical error) which shows that there was no delay on the part of the petitioner in informing the incident to the Insurance Company. EPPL further submits that it has received communication from the Insurance Company that an amount of Rs.43,087 has been settled on this claim. Considering above, EPPL requests to allow Rs. 0.92 Crore as an additional expenditure incurred during FY 2020-21.

2.2.4 Commission's Analysis

The Commission refers to the Order dated 18.09.2020 in Petition 02 of 2020, filed for approval of CIP for the 2nd MYT Control Period, wherein it was observed as under:

> *"The Commission notes that EPPL neither informed PSPCL nor the insurance company about the incident at the time of occurrence on 04.04.2019 .... EPPL is directed to pursue its claim with the insurance company. As far as including the amount in the capital investment plan for the control period FY 2020-21 to 2022-23 is concerned, since some portion (Rs.0.40 crore) has been already spent in the previous MYT control period FY 2019-20 without informing the Commission or PSPCL, this expenditure cannot be considered as a part of this capital investment plan. Accordingly, the expenditure of Rs. 1 crore on this account would be considered after insurance claim has been settled and EPPL claims the expenditure in the true-up petition along with full justification, vouchers /bills and audited accounts on merit."*

Thus, the expenditure on this account was to be considered on merit after settlement of the insurance claim. However, in reply to the PSPCL's objections on the issue of insurance claim, the Petitioner has submitted that it has received communication from the Insurance Company that an amount of Rs.43,087 has been settled on this claim.

The Commission observes that referred in the previous Para, the material viz. Civil & Hydro mechanical, Electromechanical (Plant & Machinery), Step-up Sub-Station of 132/220 kV 'Chaur' and 132 kV Double Circuit Transmission Line and associated Equipment of EPPL were insured for a sum of Rs. 988 Crore, with the provision as under:

> *"i. As regards buildings, plants and machinery, furniture, fixture, fittings etc. the cost of replacement or reinstatement on the date of replacement or reinstatement subject to the maximum liability being restricted to the sum insured in respect of that category of the item under the policy."*

As is evident, the Petitioner's project was insured for a sum of Rs. 988 Crore (i.e the full capital cost of the project) and the premium being paid for the same stands claimed in its AFC. For the impugned damage to the Petitioner's property in April 2019, the Insurance Company has settled an amount of Rs.0.43 Lac as the cost of replacement/ reinstatement of the same and the Petitioner seems to have accepted this assessment of damage by the Insurance Company. Thus, the Commission is of view that its claim of Rs. 0.92 Crore for restoration of the same, which is more than 200 times the claim accepted by the Petitioner from the insurance company, is not justified and hence is denied.

2.3 CONSTRUCTION OF CULVERT ON ADIT–I AND BRIDGE ON ADIT-II NALLAHs.

2.3.1 EPPL's Submission

EPPL has submitted that as per the Order dated 18.09.2020;the Commission has allowed an amount of Rs. 1.05 Crore for period between FY 2020–21 to FY 2022-23 towards Construction of the Bridge and Culvert. As per the audited accounts for FY 2020-21 (note 3 of Audited Balance Sheet as of March 2021), EPPL has incurred an expenditure of Rs. 0.44 Crores against the approval of Rs. 0.65 Crore. Prevalence of COVID-19 across the world (Global Pandemic) has hindered the completion of these activities during the

FY 2020–22. Also, during Monsoon season project roads got damaged due to Heavy rains hampering movement of heavy machinery and road restoration works. EPPL has requested the Commission in Petition No. 54 of 2022, in the matter of filing of petition for Business Plan including Capital investment Plan for Control Period from FY 2023-24 to FY 2025-26, to allow the completion of these works with an estimated cost of Rs. 0.65 Crores during the ensuing control period i.e., FY 2023–24. Accordingly, EPPL requests to allow additional capitalization under the head of Construction of Bridge of Rs. 0.44 Crore for FY 2020-21.

2.3.2 PSPCL's submission

PSPCL has submitted that it is the case of the Petitioner that the predominantly the Covid-19 pandemic had stopped it from completing the construction during the entirety of FY 2020-22. Even if the case of the Petitioner is taken to be true the period post the covid-19 pandemic remains unexplained; its general statements attributing the inability to pursue the construction works on the monsoon season ought to be rejected. On the cost of 0.44 Crores, the Commission may kindly apply prudence check on the same.

2.3.3 EPPL's Rejoinder to PSPCL's submission

EPPL has submitted that sole reason of non-completion of said activity in FY 2020-22 is occurrence and aftereffects of COVID -19. However, as per the PSERC order dated 18.09.2020, the approved expenditure of Rs. 1.05 Crore was irrespective of any completion time. Additionally, PSERC has specifically mentioned in said order dated 18.09.2020 that the expenditure will be consider while true up upon completion with full justification along with vouchers/bills and audited accounts. Considering above, EPPL requests PSERC to allow additional capitalization of Rs. 0.44 Crore for year 2020-21. Details of the same along with full justifications, bills and audited accounts have already been provided to PSERC.

2.3.4 Commission's Analysis

The Commission refers to the Order dated 18.09.2020 in Petition 02 of 2020, filed for approval of CIP for the 2nd MYT Control Period, wherein it was observed as under:

> *"….. the Commission observes that construction of a new bridge at ADIT-II and culvert at ADIT-I Nullahs on the approach road from the*

project towards dam complex is required for the operation of the plant. As such, the said expenditure of Rs.1.05 crore is allowed which shall be considered on merits after prudence check by the Commission in the True-up petition when claimed by EPPL with full justification alongwith vouchers/bills and audited accounts."

The Commission notes that the Petitioner has submitted the copy of the invoices and a reference of the same is also contained in the audited Balance Sheet. The petitioner has also submitted the work completion certificate for construction of RCC box Culvert near Adit-1 nallah.

Therefore, considering the submissions of the parties, the Commission allows the capital expenditure of Rs. 0.44 Crore towards the construction of culvert during FY 2020-21.

2.4 MISCELLANEOUS EXPENSES

2.4.1 EPPL's Submission

EPPL has submitted that as per the audited accounts for FY 2020-21 and FY 2021-22, it has incurred an expense of Rs. 2.29 Cr. and Rs. 20.88 Lakhs respectively towards Office equipment/ Furniture and Fixtures, Computers and Tool & tackles &Machinery like Trash Cleaning Machine. Copy of the Bills is also submitted. Accordingly, EPPL requests for approval of Rs. 2.29 Crore and Rs. 0.21 Crore towards Miscellaneous Expenses for FY 2020-21 and for FY 2021- 22 respectively.

2.4.2 PSPCL's submission

PSPCL has submitted that on the issue of miscellaneous expenses such as office equipment, computers and tools and tackles, relying on Regulation 18.2 (e) of the MYT Regulations, 2019, the Commission in Order dated 18.09.2020 while approving the capital investment plan for FY 2020-21 to FY 2022-23 and Order dated 09.03.2021 while approving the AFC for FY 2020-21 to FY 2022-23 had rejected the claims of the Petitioner as under:

"The Commission notes that Regulation 18.2(e) of the MYT Regulations, 2019 provides as under:

"(e) 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) 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 capitalisation for determination of tariff w.e.f. the date of the start of first year of the Control Period."

Considering the above, the Commission is of the opinion that such miscellaneous expenditure on computers/laptops, tipper and fork lifter (tools & tackles) are not allowable as per the Regulations……….."

PSPCL has stated that despite the identical claim being rejected twice by the Commission, the Petitioner has once again in the present Petition sought approval of the same. It is submitted that apart from rejecting the claims of the Petitioner, the Petitioner should be barred from raising the same claims time and again and that they should be rejected.

2.4.3 EPPL's Rejoinder to PSPCL's submission

In this regard, the petitioner submits following facts on record for this Commission to decide on the merits of this claim. Breakup of the expenses under various heads of the amount that is claimed as miscellaneous expenditure is as under:

Table No.3: Breakup of Costs under various heads (Rs.)

Sr. No	Particulars	FY 2020-21	FY2021-22
1	Trash Rack Cleaning Machine – Design, Supply, manufacturing /Fabrication & Shop Inspection. Erection, Testing & Commissioning and Transportation charges	1,75,70,000	
2	Route Survey	51,03,500	
3	Feucet	900	
4	Total	2,93,080	20,88,000
Total		**2,29,67,480**	**20,88,000**

EPPL has also pleaded that Trash cleaning machine is major equipment procured as it is urgently required for efficient and smooth operation of Plant. Additionally, other equipment's procured such as Computers and Furniture & Fixtures do have a fixed useful life and have to be replaced thereafter for efficient utilisation and operations. The items like Laptops, Mobile phones and Batteries have degraded in their performance, and so we are forced to replace them. Therefore, EPPL requests to allow Rs. 2.29 Crore and Rs. 0.21 Crore towards additional capitalisation for FY 2020–21 & FY 2021-22 for the above said reasons.

2.4.4 Commission's Analysis

The Commission refers to the PSERC MYT Regulations 2019, which reads as under:

> *"9.13 …Provided that the capital expenditure incurred shall be only for the schemes as per the approved capital investment plan.*
>
> *……………………..*
>
> *17.6. Capital Cost to be allowed for the purpose of determination of tariff will be based on the Capital Investment Plan approved by the Commission."*

The Commission observes that, in Order dated 18.09.2020 in Petition 02 of 2020, filed for approval of CIP for the 2nd MYT Control Period pertaining to the impugned period, after examining the Regulation 18.2(e) of the MYT Regulations 2019, which states that any expenditure on acquiring of 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 is not permissible for additional capitalization for determination of tariff, the Commission didn't approve any scheme under the miscellaneous expenses.

Therefore, the Commission is constrained to disallow such miscellaneous expenditure under the capital expenditure for the true-up for the respective years.

2.5 In view of the above, the Commission approves the additional expenditure for true-up of FY 2020-21 and FY 2021-22 as under:

Table no 4: Additional expenditure approved by the Commission

(Rs. Crore)

Sr. No.	Item	Claim by EPPL	Approved by the Commission		
			FY 2020-21	FY 2021-22	Total
1	Purchase of Runners & Nozzle Assy	6.02	-	-	-
2	Left Abutment Slope Stabilization measures	0.92	-	-	-

3	Construction of Culvert and Bridge on Nullahs	0.44	0.44	-	0.44
4	Misc. Expenses /tools & tackles	2.50	`	`	`
Total		**9.88**	**0.44**	**-**	**0.44**

The Commission also allows capitalization of Rs.0.44 Crore for FY 2020-21 and Nil for FY 2021-22 which will be reviewed and trued up at the end of 2nd control period. The Commission considers decapitalization of assets of Rs.0.02 Crore for FY 2020-21 as claimed by EPPL. The Gross fixed assets as per capitalization/decapitalization approved for FY 2020-21 and FY 2021-22 is as under:

Table No.5: Gross fixed assets approved by the Commission for FY 2020-21 and FY 2021-22 **(Rs.Crore)**

Sr.No	Particulars	FY 2020-21	FY 2021-22
1	Opening Gross Fixed Assets	850.97	851.39
2	Assets addition during the year	0.44	0.00
3	De-capitalization of assets	0.02	-
4	**Closing Gross Fixed Assets**	**851.39**	**851.39**

3.0 Operation and Maintenance Expenses

EPPL's Submission

3.1 EPPL vide its submission dated 22.11.2022 has stated that as per its audited accounts for FY 2020-21 and FY 2021-22 , the actual expenses incurred towards Employee Cost are Rs. 8.49 Crore and Rs. 2.12 Crore respectively. EPPL further submitted that as per audited annual accounts, actual employee Cost was Rs. 6.41 Crore for FY 2019-20 and Rs. 8.49 Crore for FY 2020-21.

3.2 EPPL in its reply dated 07.01.2023, provided justification for lower Employee Cost in FY 2021–22 in comparison to previous years. The Project was acquired by the Greenko Group in the beginning of FY 2021-22. Post-acquisition, restructuring of employees was the sole reason for low Employee Cost during FY 2021-22. Many employees belonging to Senior management had resigned during the transition phase. The employee strength of EPPL was '12' in FY 2019-20, which decreased to '6' in FY 2021-22, details may be seen in the table below:

Table No.6 : Details of No. of Employees

EPPL	Technical	FY 2019-20	FY 2020–21	FY 2021-22
1	Class I	01	01	01
2	Class II	00	00	00
3	Class III	06	03	01
4	Class IV	00	00	00
	Non - Technical			
1	Class I	01	01	01
2	Class II	02	02	01
3	Class III	02	03	02
4	Class IV	00	00	00
	Total	**12**	**10**	**06**

3.3 EPPL submitted that post acquisition and during the FY 2021-22, various activities of the project was handled by the Greenko Group corporate office staff as well as staff employed in Greenko Group's various subsidiaries like: Greenko Asset Management wing, Finance & Accounts wing, and Regulatory, Legal and Commercial wing etc.. The strength of the employees in EPPL is being gradually increased. The effect of the same is also reflected in the provisional accounts for FY 2022-23, wherein Employee Cost, from April 2022 to September 2022 (H-1) is Rs. 2.47 Crore, which will further increase by the end of FY 2022-23.

3.4 EPPL further submitted that the Employee Cost of similar size of hydro projects are in the range of Rs.60 Crore to Rs.85 Crore and in comparison, to such projects even Employee Costs of Rs. 8.49 Crore for FY 2020-21 for a 100 MW Project is the least and most competitive among similar size of project. Comparison of various Hydro Electric Projects (HEPs) of similar sizes are as under:

Table No.7: Comparison of Employee cost among similar capacity of projects

Sr.No.	HEPs	Capacity (MW)	Employee Cost (in Crore)	Number of Employees
1.	Loktak	105	61.19	261
2.	Bairasiul	180	76.49	298
3.	Tanakpur	120	85.26	488
4.	Sewa II	120	30.85	140
5.	Rangit	60	42.74	201

3.5 EPPL stated that since the Greenko group has borne the employee cost of FY 2021-22 during the transition period, it was the sole reason of lower employee cost reflected in the EPPL's Annual Accounts of FY 2021-22. In

Subsequent years, increase in employee cost will get reflected in the audited accounts.

In view of same, EPPL requests to approve the employee expenses of Rs. 8.49 Crore each for FY 2020–21 and FY 2021-22.

Administrative & General Expenses and Repair & Maintenance Expense

3.6 EPPL submitted that as per the audited accounts for FY 2020-21 and FY 2021-22 , the actual expenses incurred towards A&G Expenses amounts to Rs. 9.31 Crore and Rs. 5.03 Crore respectively (including fee for determination of tariff and audit fee etc.). EPPL further submitted that A&G expenses as per annual accounts for FY 2017-18, 2018-19, 2019-20 were Rs. 9.13 Crore, Rs. 8.17 Crore and Rs. 7.45 Crore respectively.In FY 2020-21, the project was taken over by Greenko Group and during the transition period various activities could not be taken up. Moreover, due to prevalence of COVID 19 (Global Pandemic), no major works was taken up during the period 2020-22 as mobilization of manpower was difficult.

Further, PSERC vide order dated 09.03.2021 in Petition no.16 of 2020 approved A&G Expenses for the 2nd Control period at Rs. 8.72 Crore, Rs. 8.94 Crore and Rs. 9.16 Crore for FY 2020-21, FY 2021-22 and FY 2022-23 respectively.

3.7 EPPL requested the Commission to allow Rs. 9.31 Crore as A&G expenses as actually incurred during FY 2020-21 and Rs. 8.94 Crore for FY 2021-22 as allowed by this Commission vide order dated 09.03.2021.

3.8 EPPL submitted that as per the audited accounts for FY 2020-21 and FY 2021-22, the actual expenses incurred towards R&M Expenses amounts to Rs. 10.63 Crore and Rs. 9.96 Crore respectively.

Table No. 8: O&M Expenses for True up for FY 2020–21 and FY 2021–22

(Rs.Crore)

Sr. No.	Particulars	FY 2020–21	FY 2021–22
1	Employee Expenses (including Terminal Benefits)	8.49	8.49
2	R&M Expenses	10.63	9.96
3	A & G Expenses (including audit and tariff petition fee)	9.31	8.94
4	Total of R&M and A&G Expenses (4 = 2 + 3)	19.94	18.90
5	Total O&M Expenses (5 = 1 +4)	28.43	27.39

In view of the above, EPPL requested to allow O & M expenses (i.e. Employee Costs+ R&M Costs + A&G Costs) of Rs 28.43 Crore for FY

2020-21 based on actual expenditure incurred and Rs. 27.39 Crore for FY 2021-22.

3.9 EPPL vide its rejoinder dated 07.01.2023 to the submission of PSPCL reiterated its earlier submission of 22.11.2022.

PSPCL's Submission

3.10 PSPCL submitted that the Petitioner has simply relied on the change in management for the escalation of employee cost. It is submitted that the change in management is an internal decision of the Petitioner and any cost escalation on account of the same ought not to be allowed and otherwise to be subjected to strict prudence check.

As against Rs, 8.72 Crores allowed by this Commission towards A&G expenses for FY 2020-21, the Petitioner has claimed an amount of Rs 9.31 Crores towards A&G expenses for FY 2020-21. It is submitted that the Petitioner has not provided any cogent reasons for the cost escalation. It is submitted that the cost escalation ought to be rejected. Similarly, the cost escalation on the R&M expenses also ought to be rejected by this Commission. Further, before allowing the O&M Charges, the baseline values under Regulation 8.1 of Tariff Regulation need to be determined after prudence check by this Commission.

Commission's Analysis

Employee's Expenses

3.11 The O&M expenses for the 2nd Control Period are determined as per the Regulation-26 of the PSERC MYT Regulations, 2019. The Regulation has been reproduced as under:

> *"26.1. The O&M expenses for the nth year of the Control Period shall be approved based on the formula shown below:*
>
> *O&Mn = (R&Mn + EMPn + A&Gn) x (1-Xn) Where,*
>
> *R&Mn –Repair and Maintenance Costs of the Applicant for the nth year;*
>
> *EMPn –Employee Cost of the Applicant for the nth year;*
>
> *A&Gn–Administrative and General Costs of the Applicant for the nth year;*
>
> *It should be ensured that all such expenses capitalized should not form a part of the O&M expenses being specified here."*

3.12 Regulation 8.1 of PSERC MYT Regulations, 2019 specifies that 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. The relevant regulations are reproduced below:-

8.1. Baseline Values

"….. (b) The baseline values shall be inter-alia based on figures approved by the Commission in the past, last three years' Audited/Provisional Accounts, estimate of the expected figures for the relevant year, industry benchmarks/norms and other factors considered appropriate by the Commission:

Provided further that the Commission may change the values for Base Year and consequently the trajectory of parameters for the Control Period, considering the actual figures from audited accounts."

3.13 The Commission notes that comparison has been attempted by the Petitioner as shown in table no.7 with other Hydro Electric Projects. However, it is more than evident that there is hardly any similarity between the data of these plants. They are widely divergent and hence not comparable and thus not considered for comparison. Thus, the Commission does its own analysis and follows the notified regulations.

3.13.1 The Commission also notes that the justification given by EPPL for lower employee cost for FY 2021-22 is not in order considering the submissions regarding details of number of employees given in Table No 6 of this order. The employee cost for FY 2020-21 of Rs.8.31 Crore is not justified keeping in view the number of employee submitted in Table No.6 even if a few senior level employees were working at corporate office .

3.13.2 The Commission in its order dated 09.03.2021 in Petition no 16 of 2020 for 2nd MYT Control Period of FY 2020-21 to 2022-23 had determined baseline values of other employee cost amounting to Rs 5.69 Crore for FY 2020-21.The Commission does not consider it prudent to allow the said baseline value of other employee cost as it will put an additional burden on the consumers considering the submissions of EPPL on the issue in this Petition, whereas only 10 employees (including class I to class IV) have been shown to be working in FY 2020-21. Accordingly, the Commission considers Rs 1.50 Crore as baseline value of other employee cost for FY 2020-21.

3.14 The employee cost is considered in two parts - other employee cost and Terminal benefits. EPPL has claimed terminal benefits of Rs. 0.18 Crore and Rs. 0.13 Crore for FY 2020-21 and FY 2021-22 respectively.

3.15 The Commission on the basis of certificate of statutory auditors for annual audited accounts for FY 2020-21 and FY 2021-22 has considered terminal benefits as Rs.0.07 Crore and Rs.0.47 Crore for FY 2020-21 and FY 2021-22 respectively.

3.16 The other employee cost as per annual audited accounts for FY 2020-21 and FY 2021-22 is Rs.8.31 Crore and Rs.1.64 Crore respectively.

3.19 The indices of the Wholesale Price Index (WPI) and Consumer Price Index (CPI) for FY 2020-21 and FY 2021-22 have been taken for working out increase/decrease in WPI and CPI is given below:

Table No. 9: Computation of Escalation Index for FY 2020-21

Period	FY 2019-20	FY 2020-21	Increase/Decrease
CPI Index	322.50	338.69	5.0202%
WPI Index	121.80	123.38	1.2931%

INDEX n/INDEX n-1 = (0.5*1.2931) +(0.5*5.0202) = 3.1566%

Table No. 10: Computation of Escalation Index for FY 2021-22

Period	FY 2020-21	FY 2021-22	Increase/Decrease
CPI Index (April-March)	338.69	356.06	5.1285%
WPI Index (April-March)	123.38	139.41	12.9956%

**INDEX n/INDEX n-1* = (0.5*12.9956) +(0.5*5.1285) = 9.06206%

3.20 Accordingly ,the Commission determines the employee cost for FY 2020-21 and FY 2021-22 as per Regulation 8.2(d)(O&M expenses) on normative basis as under:

Table No. 11: Other employee cost determined for True up of FY 2020-21 and FY 2021-22 (Rs. Crore)

Sr.No	Particulars	FY 2020-21	FY 2021-22
1	Employee Cost (excluding terminal benefits) Baseline values	1.50	1.55
2	WPI & CPI escalation	3.1566%	9.06206%
3	**Other Employee cost**	**1.55**	**1.69**

Table No. 12: Employee cost determined for True up of FY 2020-21 and FY 2021-22 (Rs. Crore)

Sr.No	Particulars	FY 2020-21	FY 2021-22
1	Other employee cost	1.55	1.69
2	Terminal benefits	0.07	0.47
3	**Total employee cost**	**1.62**	**2.16**

Therefore, Commission allows employee cost of Rs 1.62 Crore and Rs.2.16 Crore for FY 2020-21 and FY 2021-22 respectively.

Administrative and General expenses

3.21 EPPL's A&G and R&M expenses as per annual audited accounts for FY 2020-21 and FY 2021-22 are Rs. 20.52 Crore and Rs. 14.97 Crore respectively in contrast to EPPL's claim of Rs 19.94 Crore and Rs.18.90 Crore for FY 2020-21 and FY 2021-22 respectively in Sr.No 4 of table no. 8 of this order.

3.22 The Commission in its order dated 09.03.2021 in Petition no 16 of 2020 for 2nd MYT Control Period of FY 2020-21 to 2022-23 had determined baseline values of Administrative & General expenses for FY 2020-21amounting to Rs 8.50 Crore for FY 2020-21 after considering the A&G expenses on figures approved by the Commission in the past, the last three years audited /provisional accounts, estimate of the expected figures for the relevant year, industry benchmark/norms and other factors. Audit and ARR fee are to be allowed separately on actual basis.

3.23 The indexation used for escalating the A&G expenses is considered as 3.1566% for FY 2020-21 and 9.06206% for FY 2021-22 based on the WPI and CPI index factor as computed above. The Commission considers Audit and ARR fee of Rs. 0.13 Crore for FY 2020-21 and FY 2021-22 as claimed by EPPL. Accordingly, the Commission determines A&G expenses for FY 2020-21 and FY 2021-22 as per Regulation 8.2(d)(O&M expenses) on normative basis as under:

Table No.13: A&G Expenses approved by the Commission for FY 2020-21 and FY 2021-22 (Rs.Crore)

Sr. No	Particulars	FY 2020-21	FY 2021-22
1.	A&G Expenses baseline value	8.50	8.77
2.	Escalation Factor	3.1566%	9.06206%
3.	A&G Expenses	8.77	9.56
4	Actual Audit & ARR expenses	0.13	0.13
5	**Total A&G expenses**	**8.90**	**9.69**

Repair & Maintenance Expenses(R&M)

3.24 As per Regulation 26.1 of PSERC MYT Regulations 2019, the R&M expenses are to be determined as follows:

"(i) R&Mn= K*GFA*WPIn/WPIn-1

Where,

'K' *is a constant (expressed in %) governing the relationship between R&M costs 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.*

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

3.25 The Commission in its order dated 09.03.2021 in Petition no.16 of 2020 has determined K factor as 0.982% for 2nd MYT Control Period as under.

Table no.14: Calculation of 'K' factor for 2nd Control Period (Rs. Crore)

Sr. No	Particulars	FY 2017-18	FY2018-19	FY 2019-20	Average
1	Opening GFA	841.74	846.00	853.01	846.92
2	Closing GFA	846.00	853.01	854.60	851.20
3	Average GFA	843.87	849.51	853.80	849.06
4	R&M Expenses	10.30	10.49	4.19	
5	**'K'=R&M Expenses/Average GFA**	1.22%	1.234%	0.491%	0.982%

In view of the above regulations, the Commission considers K factor of 0.982% for determination of R&M expenses for FY 2020-21 and FY 2021-22.

3.26 It needs to be noted that K factor establishes the relationship between previous fixed assets and the repair and maintenance expenses. The opening Gross fixed assets for FY 2020-21 has been taken as approved in Table No.5. Capitalization of assets for FY 2020-21 has been considered as Rs.0.44 Crore and Nil for FY 2021-22 as approved in para 2.5 (table no.5) . Similarly, decapitalization of assets for FY 2020-21 has been considered as Rs.0.02 Crore and Nil for FY 2021-22 as approved in para 2.5 (table no.5).

3.27 The escalation factor (WPI) of 1.2931% for FY 2020-21 and 12.9956% for FY 2021-22 as determined in Tables No.9 and 10 has been considered. Accordingly, the R&M Expenses for FY 2020-21 and FY 2021-22 is determined as follows:

Table No. 15: R&M Expenses approved by the Commission for true up of FY 2020-21 and FY 2021-22 (Rs. Crore)

Sr. No.	Particulars	FY 2020-21	FY 2021-22
1	Opening GFA	850.97	851.39
2	Addition of Assets	0.44	0.00
3	De-capitalization of assets	0.02	0.00
4	Closing GFA	851.39	851.39
5	Average GFA	851.18	851.39
6	K factor	0.982%	0.982%
7	R&M expenses with K factor	8.3631	8.36968
8	Escalation factor (WPI)	1.2931%	12.9956%
9	**R&M Expenses**	**8.47**	**9.45**

Thus, the Commission allows O&M expenses for FY 2020-21 and FY 2021-22 as under:

Table No. 16: O&M expenses approved by the Commission for True up of FY 2020-21 and FY 2021-22 (Rs.Crore)

Sr.No.	Particulars	FY 2020-21	FY 2021-22
1	Employee Cost	1.62	2.16
2	A&G expenses	8.90	9.69

3	R&M expenses	8.47	9.45
4	**TOTAL O&M expenses**	**18.99**	**21.30**

4.0 **Depreciation**

EPPL's Submission

4.1 EPPL submitted vide memo dated 22.11.2022 that as per Regulation 21 of PSERC MYT Regulations, 2019, 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 avg. GFA excluding depreciation on the land.

4.2 EPPL further submitted that the closing GFA for FY 2019-20 is Rs. 850.97 Crore and additional capitalization during FY 2020-21 and FY 2021-22 is Rs 3.65 Crore and Rs.6.23 Crore respectively.

4.3 Opening Gross Fixed Assets excluding land considered as Rs. 837.78 Crore as considered closing fixed assets for calculation of depreciation based on the PSERC order dated 23.08.2022.

4.4 The rate of depreciation considered @ 4.97 % as per True up order dated 24.05.2018 and 23.08.2022 for the FY 2016 - 17 to FY 2019 - 20.

The depreciation charges for the control period are given in the following table:

Table No. 17: Depreciation for FY 2020-21 and FY 2021-22 submitted by EPPL

(Rs. in Crore)

Particulars	**FY 2020-21**	**FY 2021-22**
Opening Gross Fixed Assets	850.97	854.60
Add: Additional Capitalization	3.65	6.23
Less: De capitalization of Assets	0.02	0.00
Closing Gross Fixed Assets	854.6	860.83
Average Gross Fixed Assets	852.79	857.72
Average Value of Land and Land rights	12.57	12.57
Average GFA excluding Land	840.22	845.15
Rate of Depreciation	4.97 %	4.97%
Depreciation Charges	41.76	42.00

In view of the above, EPPL requests to allow depreciation of Rs. 41.76 Crore for FY 2020-21 & Rs. 42.00 Crore for FY 2021-22.

PSPCL's Submission

4.5 PSPCL submitted that this Commission may consider the submissions made by PSPCL on the various issues of additional capitalization and decapitalization while considering the eligible closing gross block of capital cost for computing the Depreciation.

Commission's Analysis

4.6 Depreciation has been determined as per Regulation 21 of the PSERC MYT Regulations, 2019, specifies as under:

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

Provided that the depreciation shall be allowed after reducing the approved original cost of the retired or replaced or decapitalized assets:

Provided that the land, other than the land held under lease and 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 assets:

Provided further that Government. grants and consumer contribution shall also be recognized as defined under Indian Accounting Standard 20 (IND AS 20) notified by the Ministry of Corporate Affairs.

21.2. The residual/salvage value of the asset shall be considered as 10% and depreciation shall be allowed up to maximum of 90% of historical capital cost of the asset:

Provided that I.T. Equipment and Software shall be depreciated 100% with zero salvage value.

21.3. The Cost of the asset shall include additional capitalization.

21.4. The Generating Company, Transmission and Distribution Licensee shall provide the list of assets added during each Year of the Control Period and the list of assets completing 90% of depreciation in the Year along with Petition for Annual Performance Review, true-up and tariff determination for ensuing Year

21.5. Depreciation for Distribution, 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

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 asset.

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 prorata basis."

4.7 The Commission determines the depreciation for the 2nd Control period as per the Regulation 21 stated above. The Opening GFA of Rs.850.97 Crore is considered as per the Closing GFA approved by the Commission in the True-up of FY 2019-20. Opening GFA for new schemes is considered as zero.

4.8 The Commission has considered the addition of GFA as Rs.0.44 Crore for FY 2020-21 and Nil for FY 2021-22 as approved by the Commission in the table no.5 of this order. Decapitalization of assets has been considered as Rs.0.02 Crore for FY 2020-21 and Nil for FY 2021-22. Rate of depreciation has been considered as 4.97% for Spillover and New Schemes as claimed by EPPL for FY 2020-21 and FY 2021-22. Depreciation for FY 2020-21 and FY 2021-22 has been determined as under:

Table No.18: Depreciation approved by the Commission for True up of FY 2020-21 and FY 2021-22 (Rs.Crore)

Particulars		FY 2020-21	FY 2021-22
(I)	**Spillover Schemes**		
1.	Opening GFA	850.97	850.95
2.	Add: Additions to GFA during the year	0.00	0.00
3	Less: Decapitalization of assets	0.02	0.00
4.	Closing GFA	850.95	850.95
5.	Average GFA	850.96	850.95
6.	Average value of Land & land rights	12.57	12.57
7.	Average GFA net of land & land rights	838.39	838.38
8	Rate of Depreciation	4.97%	4.97%
9	**Depreciation**	**41.67**	**41.67**
(II)	**New Schemes**		
1	Opening GFA	0.00	0.44
2.	Add: Additions to GFA during the year	0.44	0.00
3.	Closing GFA	0.44	0.44
4.	Average GFA	0.22	0.44
5.	Average value of Land & land rights	0.00	0.00
6.	Average GFA net of land & land rights	0.22	0.44
7.	Rate of Depreciation	4.97%	4.97%
8.	**Depreciation**	**0.01**	**0.02**

Table No.19: Depreciation allowed by the Commission for True up of FY 2020-21 and FY 2021-22 (Rs.Crore)

Particulars		FY 2020-21	FY 2021-22
1.	Opening GFA	850.97	851.39
2.	Add: Additions to GFA during the year	0.44	0.00
3	Less: Decapitalization of assets	0.02	0.00
4.	Closing GFA	851.39	852.39
5.	Average GFA	851.18	852.39
6.	Average value of Land & land rights	12.57	12.57
7.	Average GFA net of land & land rights	838.61	838.82
8.	Rate of Depreciation	4.97%	4.97%
9.	**Depreciation**	**41.68**	**41.69**

The Commission thus, allows depreciation of Rs. 41.68 Crore and Rs.41.69 Crore for FY 2020-21 and FY 2021-22 respectively.

5.0 **Return on Equity(RoE)**

EPPL's Submissions

5.1 EPPL submitted that Regulation 19 and 20 of PSERC MYT Regulations, 2019 provides for recovery of Return on Equity.

5.2 EPPL submitted that this Commission in its Order dated 27.11.2013 has noted that this project is a run of the river project with pondage,.Pondage capacity in terms of hours of operation at contracted capacity for peaking power is four hours. Accordingly, EPPL is entitled for Return of equity at the base rate of 16.5%.

5.3 EPPL stated that as per the audited accounts of FY 2020–21, the total equity invested in the project is Rs. 318.10 Crore As mentioned in the above para, the Project Cost for FY 2019-20 (True-up) is arrived at Rs. 850.97 Crore only. As such the total equity eligible for determination of tariff, as per the provisions of PSERC Regulations, shall be limited to Rs. 255.29 Crore (30% of Rs. 850.97 Crore)

5.4 EPPL further stated that that additional capitalization incurred during FY 2020-21 and FY 2021-22 is Rs. 3.65 Crore and Rs. 6.22 Crore respectively. The total equity eligible for determination of tariff and the Return on Equity @16.5% for the each of the year during control period as shown in Table below:

Table No. 20: Return on Equity for FY 2020- 21 & FY 2021-22 (Rs Crore)

Particulars	**FY 2020-21**	**FY 2021-22**
Opening Capital Cost	850.97	854.60
Additional Capitalization	3.65	6.23
Less: De-Capitalization of Assets	0.02	-
Closing Capital Cost	854.60	860.83
Equity (30% of the Opening capital cost)	255.29	256.38
Add: Addition during the year (30% of Additional Capital Expenditure)	1.10	1.87
Less: Decapitalization of Assets (30% of the decapitalization amount)	0.01	-
Closing Balance of Equity	256.38	258.25
Average Equity (Considered for computing ROE)	255.84	257.31
Rate of return on Equity	16.50%	16.50%
Return on Equity	42.21	**42.46**

5.5 EPPL requested to allow Return on Equity of Rs. Rs. 42.21 Crore for FY 2020-21 & Rs. 42.46 Crore for FY 2021-22 as per the provision of PSERC MYT Regulations 2019.

5.6 EPPL vide its rejoinder dated 07.01.2023 to the reply of PSPCL reiterated its earlier on the submission on return on equity.

PSPCL's Submission

5.7 PSPCL submitted that this Commission may consider the submissions made by PSPCL on the various issues of additional capitalization and decapitalization of assets to arrive at closing gross block of capital cost for FY 2020-21 & FY 2021-22 while considering the eligible equity during computing the Return on Equity.

Commission's Analysis:

5.8 The Commission determines the Return on Equity for the Control Period in accordance with Regulation 20 and 19 of PSERC MYT Regulations, 2019 which is reproduced asunder:

"20. Return on equity

Return on equity shall be computed at the base rate of 15.5% for thermal generating stations, Transmission Licensee, SLDC and run of the river hydro generating stations and at the base rate of 16.5% for the storage type hydro generating stations and run of river generating stations with pond age and 16% for Distribution Licensee on the paid up equity capital determined in accordance with Regulation 19:

Provided that Equity invested in foreign currency shall be converted to rupee currency based on the exchange rate prevailing on the date(s) it is subscribed:

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

"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 Normative debt-equity ratio of 70:30 shall be considered for the purpose *of determination of Tariff;*

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;

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

b. 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."

5.9 The Commission has considered the opening equity for FY 2020-21 as the approved closing equity of FY 2019-20(True-up). The Commission has considered addition of equity of Rs.0.13 Crore at the rate of 30% of the capital expenditure of Rs. 0.44 Crore for FY 2020-21 and Nil for the FY 2021-22. Reduction in equity on account of decapitalization of assets has been considered as Rs.0.01 Crore for FY 2020-21 and Nil for FY 2021-22.

5.10 The Commission determines Return on Equity @16.50% on the average equity for FY 2020-21 and FY 2021-22 as under:

Table No. 21: Return on Equity approved by the Commission for True up of FY 2020-21 and FY2021-22 (Rs. Crore)

Sr. No	Particulars	FY 2020-21	FY2021-22
1.	Opening Equity	255.29	255.42
2.	Add: Addition to equity during the year(30%)	0.13	0.00
3.	Less: Decapitalization of assets	0.01	0.00
4.	Closing Equity	255.42	255.42
5	Average Equity	255.35	255.42
6.	Rate of RoE	16.50%	16.50%
7.	**Return on Equity**	**42.13**	**42.14**

The Commission, thus, allows Return on Equity of Rs. 42.13 Crore and Rs. 42.14 Crore for true up of FY 2020-21 and FY 2021-22 respectively .

6.0 Interest and Finance Charges

EPPL's Submission

6.1 EPPL submitted that Regulation 24 of PSERC MYT Regulations, 2019 provides for recovery of interest and finance charges. 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, 2020, as opening loan balance for FY 2020-21. 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.

6.2 The closing GFA for FY 2019-20 is Rs. 850.97 Crore and additional capitalization incurred during FY 2020-21 is Rs 3.65 Crore Rs. while 6.23 Crore for FY 2021-22.

6.3 The closing loan for FY 2019-20 as approved by this Commission by its Order dated 23.08.2022 of Rs 277.92 Crore is considered as the opening balance of gross normative loan for FY 2020-21.

6.4 EPPL has considered additional capitalization based on audited Financial of FY 2020-21 & FY 2021-22, accordingly, capital cost amounting to Rs. 850.97 Crore for FY 2019-20 as approved by this Commission by Order dated 23.08.2022 in Petition no.1 of 2022 has been considered as capital base for the purpose of control period in the instant Petition.

6.5 The Commission determines the Interest on loan capital for the 2nd MYT Control Period as per Regulation 24 of the PSERC MYT Regulations, 2019.

6.6 As per PSERC regulations, the computation of interest on loan is based on the following:

a. The opening gross normative loan as on 01.04.2020 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 2020-21 to FY 2021-22 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.

6.7 Based on the actual interest paid by EPPL under various project loan accounts the weighted average rate of interest is determined for FY 2020-21 is 13.19% p.a and for FY 2021-22 is 12.25% p.a. Above referred weighted average rate of interest would be applicable on existing loan as per regulation

24.1 of PSERC MYT Regulation 2019. EPPL vide its reply dated 05.09.2022 submitted calculation of weighted average rate of interest for existing loans as 13.19% for FY 2020-21.

6.8 The rate of interest on loan capital for new investments is as per Regulation 24.2 and is calculated as under:

Table No.22: Rate of Interest on Long Term Loan for FY 2020-21

Sr No.	Particulars	FY 2020-21
1	Actual Rate of interest (True up for FY 2019– 20)	13.17 %
2	SBI one-year MCLR as on April 2020	7.75 %
3	SBI one-year MCLR as on 1st April 2019	8.55 %
4	Margin (4 = 1-3)	4.62 %
5	Interest on loan Capital (5 = 2+4)	12.37 %

Table No.23: Rate of Interest on Long Term Loan for FY 2021-22

Sr No.	Particulars	FY 2021-22
1	Actual Rate of interest (Proposed True up for FY 2020 – 21)	13.19 %
2	SBI one-year MCLR as on April 2021	7.00 %
3	SBI one-year MCLR as on 1st April 2020	7.75 %
4	Margin (4 = 1-3)	5.44 %
5	Interest on loan Capital (5 = 2 + 4)	12.44 %

6.9 In view of the above and as per PSERC Regulations the Interest on term loans is calculated at Table below:

Table No.24: Interest on Long Term Loan for the Control Period (Rs in Crore)

Particulars	FY 2019-20 (Approved by the Commission by Order dated 23.08.2022)	FY 2020-21	FY 2021-22
Opening Capital Cost	849.73	850.97	854.60
Add: Additional Capitalization	1.57	3.65	6.23
Less: Decapitalization	0.33	0.02	0
Closing Capital Cost (A)	850.97	854.60	860.83
Gross Normative Loan on existing opening capital cost (A)	594.81	595.67	598.22
Less: Cumulative Repayment (B)	276.13	317.77	359.53
Net Loan Opening (A-B)=C	318.69	277.90	238.69
Less: Repayment during the year (D) (Depreciation of Assets)	41.64	41.76	42.00
Addition due to additional Capitalization during the year (E)	0.87	2.555	4.361
Closing Loan Balance of Year (F = C-D+E) For FY 2019-20 and Separate calculations for additional capitalization from FY 2020-21	277.92	236.14	196.69

Average Loan	298.30	257.02	217.69
Weighted Average Rate of Interest on Loan	13.17%	13.19%	12.25%
Rate of Interest on Loan on new Investment		12.37%	12.44%
Interest on Loan on existing Investment (X)	39.29	33.90	26.67
Interest on Loan for New Investment (Y)		0.32	0.54
Total Interest Cost (Z = X+Y)	39.29	34.22	27.21
Finance Charges	0.14	6.02	0.28
Total Interest and Finance Charges	39.43	40.24	27.49

6.10 As per the audited Financials EPPL has incurred Rs. 6.02 Crore in FY 2020-21 and Rs. 0.28 Crore for FY 2021-22. Therefore, EPPL request to allow finance charges of Rs. 6.02 Crore for FY 2020-21 and Rs. 0.28 Crore for FY 2021-22.

In view of the above, EPPL requests to allow Interest on Loan of Rs. 40.24 Crore (34.23+6.02) for FY 2020-21, Rs. 27.49 Crore (27.21+ 0.28) for FY 2021-22.

6.11 EPPL vide its rejoinder dated 07.01.2023 requested to allow Interest on Loan including finance charges of Rs. 40.24 Crore (34.23 +6.02) for FY 2020-21, Rs. 27.49 Crore (27.21+ 0.28) for FY 2021-22, as justification given above on additional capitalization is true and factual in accordance with the provision of PSERC MYT Regulations 2019 **.**

PSPCL's Submission

6.12 PSPCL submitted that this Commission may consider the submissions made by PSPCL on the various issues of additional capitalization & decapitalization while considering the eligible closing loan balance for allowing the Interest on Long Term Loan. Further while computation of finance charges, any penal interest paid by petitioner (amount of Rs 0.02 Crores for FY 2021-22) ought to be disallowed.

Commission's Analysis:

6.13 The Commission determines the Interest on loan capital for the 2nd Control Period as per Regulation 24 of the PSERC MYT Regulations, 2019. It is reproduced asunder:

"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.

24.2. *Interest and finance charges on the future loan capital for new investments shall be computed on the loans, based on one (1) year State Bank of India (SBI) MCLR/ any replacement thereof as notified by RBI as may be applicable as on1st April of the relevant year, plus a margin determined on the basis of current actual rate of interest of the capital expenditure loan taken by the Generating Company, Licensee or SLDC and prevailing SBI MCLR.*

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-capitalization of assets, the repayment shall be adjusted by taking into account cumulative depreciation made to the extent of de- capitalization.*

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.*

Provided also that if there is no actual loan for a particular Year but normative loan is still outstanding, the last available weighted average rate of interest for the actual loan shall be considered."

6.14 The Opening balance of loan for the Spillover schemes is considered as per the Closing balance approved by the Commission for FY 2019-20(True-up) while the opening balance of loan for new schemes is considered as zero. As per regulation 24.3 of PSERC MYT Regulation 2019, the repayment of loan is considered equal to depreciation allowed for the corresponding year. The Commission has considered addition of loan equal to 70% of the capital expenditure i.e. Rs. 0.31(0.44*0.70) Crore for FY 2020-21 and Nil for FY 2021-22. Reduction in loans on account of decapitalization of assets has been considered as Rs.0.01 Crore and Nil for FY 2020-21 and FY 2021-22 respectively.

6.15 During the 2nd Capital Investment Plan, the Financing Plan was given as per the Capital expenditure approved by the Commission. Since, the funding of assets is to be approved for EPPL only after the assets are put to use, the Commission has decided to fund the new schemes on Capitalization. In order to avoid funding of the Spillover schemes twice, the Commission has considered to fund the Spillover Schemes as per capital expenditure incurred for FY 2021-22 to FY 2023-24.

6.16 The rate of interest on loan capital for new investments has been considered as 12.37% and 12.44% for FY 2020-21 and FY 2021-22 respectively as per table no 22 and 23 as submitted by EPPL.

6.17 For the Spillover schemes i.e., for existing loans, actual weighted average rate claimed by EPPL in para 6.7 above is 13.19%. However, after prudence check the Commission observes that EPPL issued Non-Convertible Debentures (NCD) at the rate of 12.25% per annum on 10th July,2020 . EPPL repaid its loans gradually during the year FY 2020-21.Therefore, it would be prudent to consider weighted average rate of interest as 12.72%{(13.19+12.25)/2} for FY 2020-21 .Thus, the Commission considered rate of interest on loan capital for FY 2020-21 as 12.72% and 12.25% for FY 2020-21 and FY 2021-22 respectively.

6.18 EPPL has claimed Rs. 6.02 Crore as finance charges for FY 2020-21, as per Audited Accounts which includes Rs. 0.01 Crore as Bank charges, Rs. 0.03 Crore as finance charges, Rs. 0.01 Crore as annual review charges, Rs. 5.88 Crore as Loan Prepayment charges to REC, IREDA, PNB and SBI, Rs. 0.04 Crore Surveillance fee and Rs. 0.05 Crore as other Interest cost. The Commission in Petition no.1 of 2022(interim order dated 04.05.2022) had directed EPPL to provide the “Cost Benefit Analysis Report” for the loan prepayment charges towards saving of interest . EPPL vide its reply dated 10th May, 2022 has given the cost benefit analysis of loan prepayment charges. Thus, the Commission considers and allows Rs.5.97(5.88+0.01+0.03+0.04 + 0.01) Crore as finance charges for FY 2020-21.

6.19 EPPL has claimed borrowing cost of Rs.0.28 Crores for FY 2021-22 but EPPL vide its reply dated 22.11.2022 submitted that it has paid penal interest charges of Rs.0.02 Crore, therefore, the Commission allows finance charges of Rs 0.26 Crore for FY 2021-22.

6.20 The Commission determines Interest on long term loans for FY 2020-21 and FY 2021-22 as under:

Table No 25: Interest on loan approved by the Commission for spill over schemes for true up of FY2020-21 and FY2021-22 (Rs.Crore)

Sr.No.	Particulars	FY 2020-21	FY 2021-22
1.	Opening balance of loan	277.92	236.24
2.	Add: Receipt of loan during the year	0.00	0.00
3.	Less: Repayment of loan during the year	41.67	41.67
4.	Less: Decapitalization of assets	0.01	0.00

5.	Closing balance of loan	236.24	194.57
6.	Average Loan	257.08	215.40
7.	Rate of Interest	12.72%	12.25%
8.	**Interest Charges**	**32.70**	**26.39**

Table No.26: Interest on loan for new schemes for FY 2020-21 and FY 2021-22 (Rs.Crore)

Sr.No	Particulars	FY2020-21	FY 2021-22
1.	Opening balance of loan	0.00	0.30
2.	Add: Receipt of loan during the year	0.31	0.00
3.	Less: Repayment of loan during the year	0.01	0.02
4.	Closing balance of loan	0.30	0.28
5.	Average Loan	0.15	0.29
6.	Rate of Interest	12.37%	12.44%
7.	**Interest Charges**	**0.02**	**0.03**

Table No.27: Interest on loan approved by the Commission for true up of FY 2020-21 and FY 2021-22 (Rs. Crore)

Sr.No	Particulars	FY 2020-21	FY2021-22
1.	Opening balance of loan	277.92	236.54
2.	Add: Receipt of loan during the year	0.31	0.00
3.	Less: Repayment of loan during the year	41.68	41.69
4.	Less: Decapitalization of assets	0.01	0.00
5.	Closing balance of loan	236.54	194.85
6.	Average Loan	257.23	215.69
7.	**Interest Charges**	**32.72**	**26.42**
8.	Finance charges	5.97	0.26
9	**Interest & Finance charges**	**38.69**	**26.68**

The Commission, thus, approves Interest & finance charges of Rs. 38.69 Crore and Rs. 26.68 Crore for FY 2020-21 and FY 2021-22 respectively.

7.0 **Interest on working capital**

EPPL's Submissions:

7.1 EPPL submitted that interest on working capital is determined as per Regulation 33 and 25 of PSERC regulations 2019. EPPL further submitted that regulation 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 one (1) Year State Bank of India (SBI) MCLR / any replacement thereof as notified by RBI as may be applicable as on 1st April of the relevant year plus 350 basis points, whichever is lower. 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.

7.2 The Weighted Average Rate of Interest is computed @ 13.19% p.a. and 12.25% p.a. for FY 2020-21 and FY 2021-22 respectively. The 1 Year State Bank of India MCLR is 7.75% p.a. as on 01.04.2020 and is 7.00 % p.a. as on 01.04.2021 and 7.10% p.a. as on 01.04.2022.

7.3 EPPL stated that this Commission in its order dated 09.03.2021 in Petition no.16 of 2020 has approved the interest on working capital as tabulated below:

Table No.28: Interest on Working Capital approved by the commission for the Control Period (Rs in Crore)

Sr. No	Particulars	FY2020-21	FY 2021-22
1	Rate of Interest for Working Capital Loan claimed	13.67%	12.75%
2	SBI 1 Year MCLR	7.75%	7.00%
3	Add 350 basis points as per Regulation 25.1	3.50%	3.50%
4	Rate of Interest as per Regulation 25.1 (3 +4)	11.25%	10.50%
5	Allowable Rate of Interest of Working Capital (Lower of 1 & 4)	11.25%	10.50%

7.4 EPPL has calculated the interest on working capital for MYT Control Period as per PSERC MYT Regulations 2019. Interest on Working capital is projected for control period from FY 2020-21 to FY 2022-23 by applying the rate of interest of @ 11.25 % p.a. for FY 2020-21 and 10.50% for FY 2021-22 & FY 2022-23 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.

Table No.29: Interest on Working Capital for FY 2020-21 and FY 2021-22 submitted by EPPL (Rs in Crore)

Sr.No	Particulars	FY 2020-21	FY 2021-22
1	Maintenance Spares(15% of the O&M Expenses)	4.27	4.11
2	Receivables (Two months fixed cost)	26.55	25.20
3	O&M Expenses for one month	2.37	2.28
4	**Total Working Capital**	**33.18**	**31.59**
5	Rate of interest	11.25 %	10.50 %
6	**Interest on Working Capital**	**3.73**	**3.32**

EPPL requests to allow Interest on working capital of Rs. 3.73 Crore for FY 2020-21 and Rs. 3.32 Crore for FY 2021-22.

PSPCL's Submission

7.5 PSPCL has not given any comments.

Commission's Analysis:

7.6 The Commission has computed the interest on working capital as per Regulation 33 of the PSERC MYT Regulations, 2019 specifies asunder:

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.

7.7 The Commission has computed the rate of interest on working capital as per Regulation 25.1 of the PSERC MYT Regulations, 2019 specifies asunder:

The rate of interest on working capital shall be as per Regulation 25.1."

*"**25.1** The rate of interest on working capital shall be equal to the actual rate of interest paid on working capital loans by the Licensee/Generating Company/SLDC or the one (1) Year State Bank of India (SBI) MCLR / any replacement there of as notified by RBI as may be applicable as on 1st April of the relevant year plus 350 basis points, whichever is lower. 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."*

7.8 The Commission has determined the rate of interest as per above Regulation asunder

Table No.30: Rate of Interest on Working Capital approved by the Commission for FY 2020-21, FY 2021-22

Sr.No.	Particular	FY 2020-21	FY 2021-22
1	Rate of Interest for Working Capital Loans claimed	13.19%	12.25%
2	SBI 1-year MCLR (as on 01.04.2020/01.04. 2021)	7.75%	7.00%
3	Add 350 basis points as per Regulation 25.1	3.50%	3.50%
4	Rate of interest as per Regulation 25.1 (2+3)	11.25%	10.50%
5	**Allowable Rate of Interest for Working capital (lower of 1 & 4)**	**11.25%**	**10.50%**

7.9 The above rate of interest of 11.25% and 10.50% is applicable for true up of FY 2020-21 and FY 2021-22 respectively. The Commission approves the interest on working capital as under:

Table No.31: Interest on working capital allowed by the Commission for FY 2020-21 and FY 2021-22 (Rs.Crore)

Sr.No.	Particular	FY 2020-21	FY 2021-22
1	Maintenance spares @15% of O&M	2.85	3.19
2	O&M Expenses for one month	1.58	1.77

3	Receivables for two months	24.57	23.89
4	**Total Working Capital**	**29.00**	**28.85**
5	Rate of Interest (%)	**11.25%**	**10.50%**
6	**Interest on Working Capital**	**3.26**	**3.03**

Thus, the Commission allows working capital requirement of Rs. 29.00 Crore and Rs. 28.85 Crore for the true up of FY 2020-21 and FY 2021-22 respectively and interest thereon of Rs. 3.26 Crore and Rs. 3.03 Crore for FY 2020-21 and FY 2021-22 respectively.

8.0 Income Tax

EPPL's Submission

8.1 Regulation 23 of PSERC MYT Regulations, 2019 provides for income tax. EPPL submitted that as per the Income Tax Return filed for FY 2020-21 it has paid tax of Rs. 3.39 Crore.

8.2 EPPL further submitted that for the Year, FY 2021-22, the last date of filing Income Tax return is 30th Nov 2022, and EPPL is in process of filing the same. As per the audited accounts Tax expenses are at Rs. 9.26 Crore for FY 2021-22. EPPL stated that till date it paid advance income tax of Rs.7.09 Crore for FY 2021-22.

8.3 As per the provisions of the Income Tax Act, EPPL is liable to pay Minimum Alternate Tax (MAT) for the remaining control period during FY 2020-21 and FY 2021-22 @17.47%. Accordingly, the computed value of tax limited to Tax on ROE claimable under PSERC Tariff Regulations as follows:

Table No. 32: Income tax on Return on Equity for FY 2020-21 and FY 2021-22 (Rs. Crore)

Sr. No	Particulars	FY 2020-21	FY 2021-22
1.	MAT Rate (including surcharge & cess)	17.47%	17.47%
2.	ROE Rate	16.50%	16.50%
3.	ROE Rate grossed up	19.99%	19.99%
4.	Average Equity	255.84	257.31
5.	Pre Tax ROE (4)*(3) for the purpose of Income tax calculations	51.14	51.44
6.	Tax on ROE (5)*(1)	8.93	8.99
7.	Current tax paid	3.39	9.26
8.	Allowable Income Tax (lower of 6 and 7)	3.39	8.99

In view of the above, EPPL requests to allow Income tax of Rs. 3.39 Crore for FY 2020-21 and Rs. 8.99 Crore for FY 2021-22 as per PSERC MYT Regulations 2019.

PSPCL's Submission

8.4 PSPCL has not given any comments.

Commission's Analysis

8.5 Regulation 23 of PSERC MYT Regulations, 2019 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 return on equity shall not constitute a pass-through component in the tariff and tax on such other income shall be payable by the Generating Company or the Licensee or the SLDC:

Provided that income tax shall be allowed as per actual income tax paid or income tax payable on return on equity, whichever is lower.

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

23.3. 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 maybe."

8.6 The benefits of any tax Holiday have to be passed on to the consumer/customer as per PSERC MYT Regulations. The Commission in Petition no 16 of 2020 had allowed Nil income tax for the 2nd Control Period directing that Income Tax with supporting documents may be claimed as per Regulation 23 of PSERC MYT Regulations, 2019 during true up of respective years. EPPL submitted on 16.01.2023 that it has filed income tax return for FY2020-21 & FY 2021-22 and paid Income Tax amounting to Rs.3.14 Crores and Rs. 9.24 Crore respectively. The Commission approves the income tax for true up of FY 2020-21 and FY 2021-22 as given below:

Table No.33: Income tax on Return on Equity allowed by the Commission for the true up of FY 2020-21 and FY 2021-22 **(Rs. Crore)**

Sr No	Particulars	FY 2020-21	FY 2021-22
1	MAT Rate (including surcharge & cess)	17.47%	17.47%
2	ROE Rate	16.50%	16.50%

3	ROE Rate grossed up	19.99%	19.99%
4	Average Equity	255.49	255.69
5	Pre-Tax ROE (4) *(3) for the purpose of Income tax calculations	47.91	51.05
6	Tax on ROE (5) *(1)	8.92	8.92
7	Current tax paid	3.14	9.25
8	Allowable Income Tax (lower of 6 and 7)	3.14	8.92

The Commission allows Rs.3.14 Crore and Rs. 8.92 Crore as income tax for FY 2020-21 and FY 2021-22 respectively as per Regulations 23 of PSERC MYT Regulations, 2019.

9.0 Non-Tariff Income

EPPL's Submission

9.1 EPPL submitted that as per the audited accounts of FY 2020-21 and FY 2021 - 22, non-tariff income from interest earned on investments is Rs. 0.48 Crore and Rs. 0.44 Crore respectively. Non-tariff income is determined as per Regulation 28.1 of PSERC (Terms and Conditions of Determination of Generation, Transmission, Wheeling and Retail Supply Tariff) Regulations, 2019

9.2 EPPL further submitted that interest earning investments as reflected in the audited financial statements for FY 2020-21 & FY 2021 - 22 have been done out of the retained earnings (Return on Equity to the developer) of the entity. When RoE is realized on the Capital Investment made by entity, the developer can either take out that amount from the hydro project company in the form of Dividends to its shareholders or it can invest the amount in fixed term deposits in the account of hydro project company. However, when the developer's retained earning is invested in fixed term deposits there will be interest income component on the same which otherwise could have been distributed to the shareholders. The current tariff regulations consider this interest earned on retained earnings to the developers as Non-tariff Income which is not judicious as the income received here is on account of foregoing of dividend income by the shareholders unlike income from non-generation activity such as revenue from hoardings or advertisements in the premises of the plant etc.

9.3 EPPL further stated that when this interest earned is considered as Non-Tariff Income and is reduced from the Annual Fixed Cost, then it effectively reduces the regulated RoE component to the shareholders of the project company and leads to realizing lower RoE than envisaged by the regulations.

9.4 EPPL submitted that the Non-tariff income on account of investments made out of retained earnings be allowed to be retained by the petitioner by issuing necessary amendments to the said regulations. EPPL further submitted that such provisions are already provided by other state regulators such as Uttarakhand Electricity Regulatory Commission in their Tariff Regulations of 2015, 2018 and 2021, extract of which is shown below:

> "*46. The amount of non-tariff income relating to the Generation Business as approved by the Commission shall be deducted from the Annual Fixed Charges in determining the Net Annual Fixed Charges of the Generation Company.*
>
> *Provide that the Generation Company shall submit full details of its forecast of nontariff income to the Commission in such form as may be stipulated by the Commission from time to time.*
>
> *……………..*
>
> *Provided that the interest earned from investments made out of Return on Equity corresponding to the regulated business of the Generating Company shall not be included in Non-Tariff Income."*

EPPL requested to enable a similar provision in the current regulations to exclude interest earned from the investments made out of Return on Equity corresponding to the regulated business to be excluded from Non-Tariff Income.

9.5 EPPL vide its rejoinder dated 07.01.2023 to the reply of PSPCL reiterated its submission made earlier.

PSPCL's Submission

9.6 PSPCL submitted that in terms of Regulation 28.1 of the PSERC Tariff Regulations, 2014, interest on investments is to be treated as Non-Tariff Income. It is the case of the Petitioner that the said methodology adopted by this Commission is erroneous and that this Commission may issues necessary amendments to the Regulations. PSPCL further submitted that seeking for an amendment to the Regulations is beyond the scope of the present Petition has been filed for truing up.

9.7 PSPCL further submitted that in a Petition for truing up of the financials, it cannot be the case of the Petitioner to seek amendment of any Regulations in order to get a cost component allowed for inclusion in the Annual Fixed Costs.

9.8 PSPCL submitted that even otherwise the Regulation 28.1 is apt in its application. It is the decision of the Petitioner to not to share the RoE realized and invest the same in Fixed Term Deposits. Any interest on the same is bound to be included as Non-Tariff Income.

Commission's Analysis.

9.9 Non-Tariff Income is to be determined as per Regulation 28 of PSERC MYT Regulations 2019.

The Commission approves Rs.0.48 Crore and Rs.0.44 Crore as non-Tariff income for FY 2020-21 and FY 2021-22 respectively based on the Audited Annual Accounts as claimed by EPPL.

10.0 Annual fixed charges for FY 2020-21 and FY 2021-22

10.1 The Annual fixed charges for FY 2020-21 and FY 2021-22 as submitted by EPPL and approved by the Commission is summarized in the following table: -

Table No. 34: Annual fixed charges for FY 2020-21 and FY 2021-22 approved by the Commission (Rs Crore)

Sr. No.	Particulars	Allowed in Petition no.16 of 2020		Claimed by EPPL in this Petition		Approved by the Commission	
		FY 2020-21	FY 2021-22	FY 2020-21	FY 2021-22	FY 2020-21	FY 2021-22
1	O&M Expenses	21.94	22.40	28.43	27.39	18.99	21.30
2	Depreciation	41.74	42.28	41.76	42.00	41.68	41.69
3	Return on Equity	39.65	40.17	42.21	42.46	42.13	42.14
4	Interest & Finance charges	33.79	29.18	40.24	27.49	38.69	26.68
5	Interest on Working Capital	3.20	2.94	3.73	3.32	3.26	3.03
6	Income Tax	0.00	0.00	3.39	8.99	3.14	8.92
7	**Total Expenses**	**140.32**	**136.97**	**159.76**	**151.65**	**147.89**	**143.76**
8	Less: Non-Tariff Income	0.42	0.42	0.48	0.44	0.48	0.44
9	**Annual Fixed Charges**	**139.90**	**136.55**	**159.28**	**151.21**	**147.41**	**143.32**

10.2 EPPL shall be entitled for computation and payment of capacity charges and energy charges in accordance with Regulation 37 and Regulation 38, PSERC, MYT Regulation, 2019**.**

11.0 Interest on under–recovered or over-recovered fixed charges:

11.1 The Commission notes that the applicability of Regulation 9 of PSERC Regulations, 2005 would be on the distribution companies or generating cum distribution companies and cannot be applied as it is to the standalone generating companies. The Commission observes that Regulation 13 (4) of CERC (Terms and Conditions of Tariff) Regulation, 2019 are squarely applicable to under recovery or over recovery of fixed charges in case of generating companies.

11.2 The Regulation 13(4) of CERC (Terms and Conditions of Tariff) Regulation, 2019 is re-produced below for reference:-

> *"After truing up, if the tariff already recovered exceeds or falls short of the tariff approved by the Commission under these regulations, the generating company or the transmission licensee, shall refund to or recover from, the beneficiaries or the long term customers, as the case may be, the excess or the shortfall amount along with simple interest at the rate equal to the bank rate as on 1st April of the respective years of the tariff period in six equal monthly installments."*

11.3 The Commission decides to adopt the CERC Regulations for determining interest equivalent to bank rate on under recovery or over recovery of fixed charges.

Accordingly, interest shall be allowable or recoverable as per Regulation 13 (4) of CERC (Terms and Conditions of Tariff) Regulation, 2019 on under-recovered or over-recovered Annual Fixed Charges (AFC) determined by the Commission.

The Petition is disposed of accordingly.

Sd/-
(Paramjeet Singh)
Member

Sd/-
(Viswajeet Khanna)
Chairperson

Chandigarh
Date: 01.06.2023