<u>Before the Hon'ble Delhi Electricity Regulatory Commission</u>

Filing No.______________

Case No.________________

INDEX

Place: New Delhi

Dated: 31st March, 2006

Indraprastha Power Generation Company Limited.
(Reg. Office: Himadri, Rajghat Power House Complex, New Delhi.2)

No. F. /IPGCL/CS/534 Dated 31.3.2006

The Secretary,
Delhi Electricity Regulatory Commission,
Viniyamak Bhawan,
C-Block, Shivalik,
Malviya Nagar,
New Delhi-110017

Sub: ARR Petition for FY 2006-07 & Tariff Determination

Sir,

This is in reference to your letter No. F.3 (114 A))/Tariff/DERC/2005-06/4610 dated 27.2.2006 in respect of the above said matter. As desired, we are submitting the following information for your kind perusal -

1. Capital Cost – Form 6.2

i) The gross fixed assets and net assets of the Company as on 1.7.2002 were as under:

Gross Fixed Assets	Rs. 510 crore
Accumulated Depreciation (-)	Rs. 160 crore
Net Fixed Assets	Rs. 350 crore

Break-up of Debt and Equity was as under: -

Paid up Capital	Rs. 140 crore
Loan from Holding Co.	Rs. 210 crore
Total	Rs. 350 crore

ii) The Stationwise gross fixed assets of the Company as on 31st March, 2005 was as under:

I.P.Station	Rs. 31.61 crore
R.P.H	Rs.209.10 crore

G.T.P.S.		Rs.276.73 crore
Head Quarter		Rs. 10.95 crore
	Total	Rs.528.39 crore

The Headquarter assets have been further allocated to the various stations in the ARR.

ii) The Stationwise cost sheet as compiled from the consolidated audit accounts of the company as on 31.3.2005 are enclosed at Annexure –I.

2. Copy of the Agreement with Haryana Government

The erstwhile DESU had entered into an Agreement/understanding with Haryana Govt. in regard to the sharing of 1/3rd power to be generated from Unit No.2, 3 & 4 of I.P.Station in the year 1965. Copy of the Agreement or any other relevant supporting documents in respect of the understanding is neither available presently with the Company nor it was available with the erstwhile DVB. In this connection, the relevant portion of order made by the Learned Arbitrator in regard to adjudication of dispute between DVB and HVPNL is enclosed where also the non-availability of the documents was also mentioned. (Annexure-II)

3.Fringe Benefit Tax (FBT)

We draw your attention towards the provision of Section 115WA of the Income Tax Act whereby it is mentioned that FBT is a tax in addition to Income Tax charged under this Act. Section 115WA reads as under: -

> "**115WA. (1)** In addition to the income-tax charged under Act, there shall be charged for every assessment year commencing on or after the 1st day of April, 2006, additional income-tax (in this Act referred to as fringe benefit tax) in respect of the fringe benefits provided or deemed to have been provided by an employer to his employees during the previous year at the rate of thirty per cent on the value of such fringe benefits.
>
> **(2)** Notwithstanding that no income-tax is payable by an employer on his total income computed in accordance with the provisions of this Act, the tax on fringe benefits shall be payable by such employer".

On going through the above definition, it is quite clear that FBT is an additional Income Tax.

As per Section 4 of the I.T. Act, the charge of income tax included provision for the levy of additional income tax. Accordingly, FBT being additional income tax is part of the income tax and it has to be treated in the same manner in which income tax is treated.

Details of the FBT for the FY 2005-06

The details of the FBT for FY 2005-06 as per advance tax return submitted by the Company, are enclosed as Annexure-III. The estimated amount of FBT payable for the FY 2006-07 as per the Finance Bill 2006 will be app.Rs.40 lakh.

4. Renovation & Modernization

The Company has already filed with the Hon'ble Commission the Detailed Project Reports in respect of Renovation & Modernization of all the three power stations of the Company. The current status is as under: -

RPH & GTStation

i) The various proposals as submitted in the DPR are being taken up in phases by the Company. The present status in respect of the implementation of the various schemes of Rajghat Power Station and GT Power Station as submitted in the DPR, is enclosed as Annexure –IV.

I.P.Station

The Company submitted a fresh proposal to GNCTD for carrying out limited repair and maintenance works on Unit No.2, 3,4 & 5 of I.P.Station at an estimated cost of Rs.111.8 crore, to have reliable generation around 180MW for a period of atleast 5 years. This proposal is in place of the earlier proposal for comprehensive R&M of IPStation. Necessary clearances from MoEF and GNCTD are still awaited in respect of this proposal. A copy of the DPR is enclosed as Annexure-V.

ii) Copies of the Agreements entered with M/s.NTPC Ltd. on the directives of MoP under the programme "Partnership in

Excellence" for providing consultancy to enhance efficiency and reliability of IP & RPH are enclosed at Annexure-VI.

5. Loss on account of Washed Deshaled Coal

The Rajghat Power Station and I.P.Station of the Company are using washed deshaled coal as per the directives of the Govt. to reduce pollution in Delhi. A letter from Northern Coal Fields Ltd. is enclosed at Annexure-VII whereby it has been mentioned that 1% to 3% moisture on annualized basis is occurring due to deshaling and washing of coal. Presently, comparative data of other utilities using washed deshaled coal is not available with the Company.

6. Additional Capitalisation & Financing –Form 6.5

The details of the proposed capital expenditure during the FY 2005-06 and FY 2006-07 alongwith expenditure upto February, 2006 are enclosed as Annexure – VIII.

7. Depreciation – Form 6.6

i) Since the information desired is not clear to us, it is requested to clarify the same.

ii) Attention is being drawn towards the assumptions at page-56 of the ARR whereby the basis for estimating depreciation has been explained.

iii) The details of the accumulated depreciation recovered through tariff upto the FY ended March, 2006 is as under :-

FY 2002-03	Rs. 15.38 Cr.
FY 2003-04	Rs. 21.38 Cr.
FY 2004-05	Rs. 23.56 Cr.
FY 2005-06	Rs. 26.76 Cr.
Total	**Rs. 87.08 Cr**

It is submitted that the accumulative depreciation for each station up to March, 2004 in Form 6.6 has been taken as per the audited accounts of the Company.

iv) The ESP system is part and parcel of the generation plants. As you are aware that I.P.Station has already outlived its useful life. As per the accounting standards which are mandatory for all the Companies, such type of additions should be depreciated over the residual useful life of the plant and machinery. In accordance with these accounting standards, the accounting policies have been adopted by the Company as reflected in Schedule 20 of the audited accounts. Accordingly, 95% value of the ESPs have been proposed to be depreciated during the FY 2005-06.

v) The details of the written down values of the assets as on 31.3.2005 as per audited accounts are enclosed as Annexure -IX.

8. Advance Against Depreciation – Form 6.7

i) The Company has filled up the information as per the format provided to us by DERC. The necessary view may be taken as per the guidelines issued by CERC.

ii) The DPCL loan allocated to I.P.Station is Rs.1.81 crore and the 1/10th of the same is Rs.18 lakh. Due to omission, the same has not been included and may please be substituted by Rs.4.13 crore in place of Rs.3.95 crore in the format.

9. Computation of interest on various loans – Form 6.8

i) The details of GNCTD loan drawls and repayments and interest calculations during the FY 2004-05, 2005-06 and 2006-07 are enclosed at Annexure –X.

In respect of interest on DPCL loan, the interest will be chargeable w.e.f. 1.7.2006. The interest calculations for the period of 9 months as well as the status of loan during the FY 2006-07 are enclosed as Annexure –XI.

ii) The terms & conditions of the loan from GNCTD as well as from Holding Company are mentioned in their sanction letter/loan agreement. The copy of the loan agreement with Holding Company and the copies of the sanction letters from GNCTD are enclosed for your kind reference at Annexure-XII. In brief, it is submitted that plan fund loans from GNCTD are granted for a period of 15 years and they are repayable in equal 15 installments after a moratorium period of one year.

Rs.210 crore loan from the Holding Company was transferred to the Company as per the Delhi Electricity Reforms (Transfer Rules) 2001. There was a moratorium period of 4 years in respect of interest as well as repayment of loan. These loans are repayable in 18 equal installments and to be paid in 9 years time starting from 1st July, 2006. The rate of interest is 12% p.a.

iii) Regarding the cumulative repayment of each loan, the Company has not repaid the installments of the loan during FY 2005-06 due to paucity of funds. The details of the cumulative repayment up to March, 2006 is enclosed as per Annexure-XIII.

iv) Financial restructuring plan, it is submitted that the Company has been incurring losses since inception. Due to heavy losses during the FY 2004-05, the response from Financial Institutions for extending loan is not forthcoming. Recently the State Bank of India, who offered cash Credit Facility to the Company, has also withdrawn the facility in view of the current losses in the Company. Presently, it is also feared that the Company will not be able to fulfill its commitment to Delhi Government /PPCL towards repayment of loan as well as interest liability.

v) In the ARR the bank charges have not been reflected. The interest on loan from GNCTD as taken in the ARR is as under :-

I.P.Station	Rs. 2.66 crore
RPH	Rs 1.74 crore
GTPS	Rs 4.62 crore
Total:	Rs 9.02 crore

The above mentioned figures are in accordance with the interest on GNCTD loan as shown in the audited accounts. Besides, the Company has shown rebate on timely payment.

vi) The calculations of rebate to customer for the FY 2004-05 and from April, 2005 to Feb.,2006 is enclosed as Annexure –XIV.

10. Interest on Working Capital – Form 6.9

i) In our opinion, the computation of working capital requirement is in line with the norms prescribed by the CERC except of the maintenance of spares where the CERC has prescribed maintenance spares @ 1% of the historical cost escalated at the rate of 6% p.a. from the date of commercial operation . Here we have furnished the information as per the norm mentioned in the format given to us by DERC.

ii) The SBI PLR rate as on 1.4.2005 was 10.25% on monthly rest basis.(Annexure-XV)

iii) We shall furnish the information of the actual stores consumption during the FY 2005-06 after the close of the year. We have already commenced the process of valuation of stores consumption.

11. O&M Expenses – Form 6.10

i) It is submitted that in the ARR we have submitted the information on O&M expenses as per the estimated actual expenditure during the FY 2006-07. The Company has already made submissions to the Hon'ble Commission to allow the O&M expenses on actual basis since the Company's plant are old and the Company will be requiring more time to achieve the various efficiency norms. Even the CEA has recommended to allow breathing time of 3 to 5 years for achieving the efficiency norms. We have also pointed out many anomalies in the CEA recommendations and requested the Hon'ble Commission to ask CEA to review their recommendations.

It is further submitted that the Hon'ble Commission in their review orders dated 17.2.2006 has also agreed to examine the issue at the time of truing up of expenses based on the audited accounts and further subject to prudency checks. In the Prayer Clause of petition also, we have requested the Hon'ble Commission to consider and allow the O&M expenses on actual basis.

ii) It is submitted that both the Units of RPH have been facing chronic problems of high axial shift/vibration leading to reduction in load. The Company has taken up Unit No.2 for overhauling in the month of July, 2005. During the overhauling, neck cutting of condenser and re-floating of turbine was done alongwith major repair works in corroded /eroded portion of the pressure parts which needed replacement of about 3000 meters of water wall tube, 550 bank tubes and complete refurbishment of both the economizer banks (comprising of 57 coils in each bank). With this overhauling of Unit No.2, major problem of skewed expansion in turbine side & frequent boiler tube leakage problem has been rectified. Now the machine is performing satisfactory and giving a PLF of around 80%.

Due to above, it is estimated that the R&M expenses during the FY 2005-06 will be more as compared to FY 2004-05. The Company is also proposing to take Unit No.1 during the FY 2006-07 for similar exercise of overhauling. The details of the repair and maintenance expenses during both the years are enclosed at Annexure –XVI.

iii) Bifurcation of the water charges during the FY 2004-05 was as under :-

IPStation	Rs. 37.68 Lakh
GTPS	Rs. 3.66 Lakh
Corporate Office	Rs. 73. 92 Lakh
	Rs.115.26 Lakh

It is submitted that the Corporate Water Expenses have been included under the miscellaneous expenditure in Corporate Group Heading. The Corporate water expenses includes water usage by RPH.

The water expenditure during the FY 2005-06 for IP Station and GTPS has been estimated as per the water bills received during the current FY. In respect of IPStation, it is submitted that the Company is reimbursing expenditure to Haryana Irrigation Department for maintenance of barrage at Yamuna river at ITO. The estimated expenditure on account of maintenance of barrage is Rs.74 Lakh during FY 2005-06. In the audited accounts, this expenditure has been reflected under the head "Repair and Maintenance"

iv) The station-wise Traveling and Conveyance expenditure during the FY 2004-05 comprises the following :

IP Station	Rs. 2.23 Lakh
RPH	Rs. 5.47 Lakh
GTPS	Rs. 4.82 Lakh
Corporate Office	Rs. 36.66 Lakh
	Rs 49.18 Lakh

Headquarter expenditure has been taken under corporate expenses in the ARR.

v) The station wise Insurance expenditure during the FY 2004-05 was as under :-

IP Station	Rs. 0.09 Lakh
RPH	Rs. 23.61 Lakh
GTPS	Rs.160.63 Lakh
Corporate Office	Rs. 0.12 Lakh
	Rs.184.45 Lakh

The above expenditure is in accordance with the audited accounts.

vi) We draw your attention to point 8(d) of the Explanatory Notes on page-59 in the ARR, where the basis of allocation has been mentioned. It is submitted that the Corporate office expenses have been allocated in the three power stations on the basis of net power generation.

vii) The reconciliation of Headwise O&M expenses as shown in Form 6.10 during the FY 2004-05 with the audited accounts is enclosed as Annexure – XVII. The expenditure for FY 2005-06 has been estimated based on the expenditure during FY 2004-05, actual expenditure during the period ended Sept.,2005 and work requirements during the year 2005-06.

12. Fuel Cost Details – Form 6.12

i) The month-wise availability of CNG/PMT/LNG during the FY 2005- 06 up to Feb.,2006 is enclosed at Annexure – XVIII. Since these gases are being allocated on day to day basis to the Company, the month-wise availability can not be predicted for the FY 2006-07. However, the availability as per the present contracts is as under :-

	(MMSCMD)
APM GAS	0.59
PMT	0.15
LNG	0.60
Total:	1.34

ii) The Price Store Ledger in respect of coal and liquid fuel up to February, 2006 is enclosed as Annexure-XIX. The consumption of coal has been accounted after considering 3.8% loss on account of moisture & transit loss.

13.Variable Cost Details Form 6.13

The component-wise landed cost of the gas during the FY 2004-05 and for the period from April, 2005 to February, 2006 are enclosed at Annexure-XX. The photo copies of invoices are also enclosed for the FY 2005-06 at Annexure-XXI. The data for the FY 2006-07 has been furnished in the ARR based on the present prevailing prices of the gases with 5% escalation.

14. Other Income

The other income is not from core generation activities. It is not of a regular in nature. Hence it should not be netted off from the ARR. It is further submitted that any such consideration would further adversely affect the finances of the Company and the Company's financial position will deteriorated further.

15. Other Issues.

Consolidated half yearly accounts for the year ended Sept.,2005 are enclosed as Annexure-XXII. These are the unaudited Statement of Accounts, recently modified based on the subsequent developments/information/reconciliation.

We hope that you will find the above information in order. If any further clarification is needed, the same shall be furnished.

Thanking you,

Yours faithfully,

(Vinay Kumar)
General Manager (I/C)

(Annexure-XI)

DETAILS OF LOAN FROM HOLDING COMPANY DURING FY 2006-07

(Amount in Crore)

Station	**Opening Balance as on 1.4.2006**	**Repayment 2006-07**	**Closing Balance as on 31.3.2007**
I.P.	1.81	0.10	1.71
RPH	89.33	4.96	84.37
GTPS	118.86	6.60	112.26
TOTAL	210.00	11.66	198.34

DETAILS OF INTEREST PAYABLE TO HOLDING COMPANY DURING FY 2006-07

(Amount in Crore)

Station	**Amount of loan**	**Interest from 1.7.06 to 31.12.06**	**Interest from1.1.07 to 31.3.07**	**Total Interest during 2006-07**
I.P.	1.81	0.11	0.05	0.16
RPH	89.33	5.36	2.54	7.90
GTPS	118.86	7.14	3.37	10.51
Total	210.00	12.61	5.96	18.57

NOTE

1. Interest is payable @ 12% P.A.
2. The interest is payable w.e.f. 1.7.2006
3. During FY 2006-07, interest for 9 months has been provided.

(Annexure-XVI)

Repair and Maintenance expenses (Rajghat Power House)

Division	2005-2006				2006-2007			
	Expenditure in respect of routine mtc.		Expenditure in respect of Overhauling		Expenditure in respect of Overhauling		Expenditure in respect of Overhauling	
	Contract Cost	Material Cost	Contract Cost	Material Cost	Contract Cost	Material Cost	Contract Cost	Material Cost
Boiler		**3,20,00,000**		**1,90,00,000**		**3,20,00,000**		**1,90,00,000**
Turbine		**80,00,000**		**1,80,00,000**		**80,00,000**		**1,30,00,000**
CHP		**20,00,000**		**30,00,000**		**20,00,000**		**30,00,000**
Electrical –I		**55,00,000**		**50,00,000**		**60,00,000**		**50,00,000**
Electrical –II								
C&I								
Civil		**75,00,000**				**80,00,000**		
Chemistry		**2,20,00,000**				**2,20,00,000**		
Grand Total	**2,60,00,000**	**7,70,00,000**	**3,00,00,000**			**7,80,00,000**		**4,00,00,000**