

## **Salient Features of Annual Revenue Requirement of OHPC for 2007-08**

1. OHPC has submitted the Annual Revenue Requirement and Tariff proposal for FY 2007-08 in respect of each of the power stations separately in conformity with CERC Regulation.
2. OHPC has stated that the present filing is made as per CERC Regulations with regard to the terms and conditions for determination of generation tariff. The proposal of OHPC is based on the following principles:
  - The fixed assets are based on the historical cost as on 01.04.96 plus additions made after this date as adopted by the Commission in its order dated 10.06.05.
  - The ROE on the equity portion has been taken @ 14% as per CERC Regulations.
  - Depreciation is computed @ 2.57% on the Project Cost considered for FY 2007-08. In case of HPS & BHEP, where loan repayment is more than the computed depreciation, the differential amount have been taken as Advance Against Depreciation & included in the depreciation for FY 2007-08.
  - In case of UIHEP Rs. 5.00 Crs is taken for special repair of rotor poles as approved by the Commission earlier and Rs. 1.5 Crs is taken for special repair of starter winding of unit - 4 at UKHEP.
  - The interest on working capital, taken @ 11% per annum at par with the short-term prime lending rate of State Bank of India.
  - Electricity Duty (ED) @ 20 paise / KWh on Auxiliary Consumption, limited to 0.5% of the Design for the year 2007-08 is taken in tariff. However, the Commission has been requested to allow OHPC to claim reimbursement of actual ED on Auxiliary Consumption, payable to the government at the end of the year 2007-08.
  - Income tax paid by OHPC in respect of each Power Station till FY 2005-06 has been included in the computation of ARR for the FY 2007-08. Similarly, the income tax payable for the FY 2006-07 shall be included in the ARR for FY 2008-09.
3. Based on the above parameters, the station-wise AFC & ARR for FY 2007-08 as proposed by OHPC is presented in the table below:

**(Rs. in Crs.)**

<b>Particulars</b>	<b>HPS</b>	<b>BHEP</b>	<b>RHEP</b>	<b>UKHEP</b>	<b>UIHEP</b>
<b>Total AFC</b>	<b>69.78</b>	<b>67.57</b>	<b>21.55</b>	<b>21.06</b>	<b>125.88</b>
ED on Aux. Consumption @20 P/U	0.12	0.12	0.05	0.08	0.20
Income Tax (MAT) for previous years	0.00	0.70	0.02	0.25	4.53

<b>Total ARR</b>	<b>69.90</b>	<b>68.39</b>	<b>21.62</b>	<b>21.39</b>	<b>130.61</b>
<b>Average Tariff (P/U)</b>	<b>60.15</b>	<b>58.39</b>	<b>41.60</b>	<b>25.97</b>	<b>67.24</b>

4. After due scrutiny, the Commission has approved the ARR and Tariff for OHPC stations on the following considerations:

- The effect of up-valuation of assets have been kept in abeyance as per the Government of Orissa Notification dtd. 29.01.2003. The Commission has advised the Government to keep in abeyance the effect of up-valuation of assets upto 2010-11, as the sector has not yet turned around. The Government reply is awaited.
- For old stations Return on Equity is calculated @ 14% on OHPC's own investment of Rs.48.40 Cr in case of HPS. OHPC has submitted that the project cost for extension of Balimela 7 & 8 is Rs.180.00 crore. Applying CERC norms of debt/equity ratio of 70:30 the equity component for this project comes to Rs.54 crore. Thus RoE comes to Rs.6.78 Cr in case of HPS and Rs. 7.56 Cr in case of Balimela which taken together comes to Rs. 14.34 crores.
- The proposal of OHPC to allow return on 25% of the original book value of asset is not approved by the Commission.
- In case of UIHEP RoE is calculated @ 14% on Government equity of Rs.298.70 crore which comes to Rs. 41.82 crore.
- While computing O&M expenses, the Commission has given annual escalation @ 4% on the base value of 2005-06. The Commission also approves a sum of Rs.1.50 crore towards special repair of UKHEP. Hence, the Commission approves an expenditure of Rs.87.36 crore for 2007-08 towards O&M expenses.
- The O&M expenses approved for the year 2007-08 is Rs. 39.88 crore for UIHEP after considering annual escalation @ 4% over the pass through figure of FY 2006-07 and allowing Rs.5 crore towards major repair of rotor poles.
- For the year 2007-08, depreciation is claimed in the tariff applying 2.57% in case of RHEP, UKHEP whereas for BHEP & HPS the actual loan repayment requirement is considered for the purpose of depreciation. Thus depreciation allowed in Tariff of 2007-08 is Rs. 33.27 crore for old stations and Rs. 32.07 cores for UIHEP.
- Electricity duty (ED) @ 20 paisa/KWH on auxiliary consumption is taken in Tariff.
- Income tax paid by OHPC in respect of each Power Station till FY 2005-06 has been allowed in the computation of ARR for the FY 2007-08.
- Based on the above parameters the station-wise ARR and tariff calculated for the year 2007-08 is presented in the table below:

### Station-wise Tariff Approved for 2007-08

(Rs. in crore)

	RHEP	UKHEP	BHEP	HPS	Total of Old Stations	UIHEP
Saleable Design Energy (MU)	519.75	823.68	1171.17	1162.26	3676.86	1942.38
Interest on loan	0.51	0.61	13.20	7.45	21.78	9.32
Return on Equity	0	0	7.56	6.78	14.34	41.82
O&M expenses	14.74	13.23	26.10	33.29	87.36	39.88
Depreciation	2.41	2.81	13.55	14.50	33.27	32.07
Interest on working capital	0.55	0.51	1.49	1.55	4.06	2.64
ED @ 20 P/U	0.05	0.08	0.12	0.12	0.37	0.20
Income Tax (MAT)	0.02	0.25	0.70	0	0.97	4.53
Total ARR (Rs.crore)	18.28	17.50	62.68	63.68	162.14	130.46
Average cost (P/U)	<b>35.17</b>	<b>21.24</b>	<b>53.52</b>	<b>54.79</b>	<b>44.10</b>	<b>67.16</b>

- On the basis of the ARR determined above the Commission approves the rate of primary energy, the rate of secondary energy and the capacity charges as summarized in the table below:

#### Primary Energy, Secondary Energy and Capacity Charges for 2007-08

Name of the Power Stations	Primary Energy P/U	Capacity Charge Rs. Cr.	Secondary Energy P/U
Rengali HEP	35.17	-	35.14
Upper Kolab HEP	21.24	-	20.94
Balimela HEP	41.10	14.55	41.10
Hirakud Power System	41.10	15.91	41.10
Upper Indravati HEP	41.10	50.62	41.10

- In addition to this the Commission has taken into consideration the procurement cost of Rs. 4.78 crore @ 18.21 paisa/unit for power purchase from Machhakund project.
- The Commission approves Rs. 1195.42 crores as the final capital cost of UIHEP for the purpose of determination of tariff.