BEFORE THE HARYANA ELECTRICITY REGULATORY COMMISSION AT PANCHKULA

HERC/Petition No. 19 of 2025

Date of Hearing	**:**	**16.06.2026**
Date of Order	**:**	**03.07.2026**

In the Matter of

Petition under Section 61, Section 62, Section 64 (5) and Section 86 of the Electricity Act, 2003 read with the Haryana Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff for Generation, Transmission, Wheeling and Distribution & Retail Supply under Multi Year Tariff Framework) Regulations, 2024 in respect of determination of Capital Cost and Generation Tariff of 240 MW (3x80 MW) Kutehr Hydro Power Station located in Chamba District, Himachal Pradesh on the river Ravi.

Petitioner

M/s. JSW Energy (Kutehr) Limited.

Respondent

Haryana Power Purchase Centre (HPPC), Panchkula

Present on behalf of the Petitioner

1. Ms. Natasha, Legal Consultant
2. Mr. Ajay Nath, General Manager
3. Mr. Tanuj Sharma, Manager
4. Mr. Ritesh Parshad, Manager
5. Mr. Manish Sharma, Deputy Manager

Present on behalf of the Respondent

1. Mr. Raghujeet Madan, Advocate
2. Ms. Aerika Singh, Advocate
3. Mr. Lovepreet Singh, Advocate
4. Ms. Anupama Tiwari, Xen
5. Mr. Rajinder Kumar, AE

Quorum

Shri Nand Lal Sharma	**Chairman**
Shri Mukesh Garg	**Member**
Shri Shiv Kumar	**Member**

ORDER

Brief background of the case

1. The present petition has been filed by M/s. JSW Energy (Kutehr) Limited, seeking for determination of tariff of its 240 MW (3x80 MW) Kutehr Hydro Power Station located in Chamba District, at a levelized tariff of Rs. 5.74/kWh. Further, appropriate relief has

also been sought on account of impact of change in law arising out of Government of Himachal Pradesh (GoHP) notification dated 12.12.2023, deleting its earlier notification dated 26.11.2018 for the deferment in free power as well as levy of additional processing charge equivalent to 75% of royalty on minor minerals, vide GoHP notifications dated 12.12.2023 & 29.2.2024. Additionally, the petitioner has sought reimbursement of petition filing fees, expenses incurred on publication of notices in the newspapers, charges of SLDC and legal fees on actual basis.

2. The petitioner has submitted as under: -

2.1 That that the DPR of generation scheme of 240 MW was submitted to Government of Himachal Pradesh (GoHP) and Central Electricity Authority ("CEA") for concurrence under section 8 of Electricity Act 2003. Vide its Office Memorandum dated 31.08.2010, the CEA accorded its concurrence (TEC) allowing a construction period of 60 months. This concurrence was extended on 10.09.2013, 06.08.2018 and 24.07.2019 by the CEA.

2.2 That JSW Energy Ltd entered into an Implementation Agreement ("IA") dated 04.03.2011 with the GoHP. The Construction, as per the IA dated 04.03.2011, was to commence on or before the zero date mentioned therein; and had to be completed within 60 months from zero date.

2.3 That the GoHP extended the zero date to 29.10.2019 and signed second supplementary agreement (2nd SIA) dated 27.01.2021 to incorporate to said change. As such taking the zero date 29.10.2019 as per the SSIA, the petitioner was / is to complete the construction of the project by 28.10.2024.

2.4 That the petitioner awarded EPC contracts for the project on 29.10.2019 and 25.11.2019, to parties selected by way of competitive bidding process. As such the construction work on the project started during October-November 2019 by the two selected contractors.

2.5 That HPPC, vide its Expression of Interest (EoI) dated 03.07.2018, invited applications from interested generation companies for procurement of 500 MW of hydro power on long-term basis.

2.6 That in response to the EoI, the Petitioner submitted its offer for gross capacity of 240 MW (inclusive of Free Power obligation to Government of Himachal Pradesh). The offer submitted by the Petitioner was shortlisted by the HPPC vide its letter dated 17.09.2019.

2.7 That HPPC in Case No. HERC/PRO-54 of 2019 sought approval of the Hon'ble

Commission for procurement of 400 MW Hydro Power from generators, including 240 MW from the Petitioner. Vide its Order dated 24.09.2020, the Hon'ble Commission approved procurement of power in accordance with the bids invited by HPPC vide its EoI dated 03.07.2018.

*"A. JSW Energy (Kutehr) Ltd: 240 MW (3*80) Kutehr HEP, Himachal Pradesh, for 35 years and further at mutually agreed terms for a period beyond 35 years for the balance term of Implementation agreement with HP. The Project is having concession from Himachal Pradesh, Government for the period of 40 years.* ***The tariff shall be determined by the Commission u/s 62 of the Act on an application to be filed by the Generator, after signing of PPA,*** *with a ceiling tariff of Rs. 4.50 per kWh at Bus bar and STU Charges capped at Rs. 0.38/ kWh."*

2.8 That partially aggrieved by the Order of the Hon'ble Commission dated 24.09.2020, the Petitioner filed Review Petition being Petition No. RA-10 of 2021. In its Order dated 09.08.2021 in Petition No. RA-10 of 2021, the Hon'ble Commission held as under:

"9. Admittedly, as nothing to the contrary was argued or placed on record by the respondent i.e., HPPC, ***the levelized ceiling tariff offered by the petitioner for 35 years was Rs. 4.93 / kWh inclusive of Rs. 4.50 / kWh levelized ceiling tariff ex-generator's bus, Rs. 0.38 / kWh levelized STU charges and STU losses of Rs. 0.05 / kWh. Hence, the review petition is allowed. As already directed, in the impugned order, HPPC shall finalize the PPA's in accordance with the bid documents and submit the same for approval of the Commission****."*

2.9 That the Petitioner entered into a Power Purchase Agreement (PPA) dated 05.03.2022 with the HPPC. As per the terms of the PPA, the Petitioner has offered to sell electricity to the HPPC and the HPPC has agreed to purchase the entire capacity and corresponding electricity at delivery point after deducting the auxiliary consumption, transformation losses and Free Power to be supplied from the project in the State of Himachal Pradesh. It is also submitted that the PPA defines the term "Required Commercial Operation Date"/ "Required COD"/ "RCOD" as under:

"… Means in relation to the project, the following number of months from date of signing of PPA.

i. Unit 1- 47 months

ii. Unit II- 50 months

iii. Unit III & COD of the project- 53 months"

Thus, the PPA dated 05.03.2022 defines the COD of the Project at 05.08.2026.

2.10 That the PPA was approved by this Hon'ble Commission on 04.04.2022 with certain changes, which were subsequently incorporated by way of a supplementary power purchase agreement dated 24.05.2022, entered into between the Petitioner and HPPC.

2.11 That the Petitioner would like to bring on record that after the start of construction at this project, many force majeure events have been occurred, which in turn has delayed the completion of project beyond timelines as per I.A.:

a. Lockdown/ curfew during Covid 19 period for 3 months
b. Collapse of bridges during FY 21-22 & 23-24 affecting work for 3 months
c. Landslide blocking main approach road to the project during Apr-Jun'24
d. Very high flood & cloud bursts during Jul'2023
e. Local & Socio-political / law & order issues

The Govt. of Himachal Pradesh has been informed about these force majeure events vide the Petitioner's letter dt. 18.6.2024, elaborating the delay of 710 days on account of these force majeure conditions. As a matter of procedures, the approval towards force majeure events, is given by GoHP after the commissioning of the project.

2.12 That the Hon'ble Commission notified the Haryana Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff for Generation, Transmission, Wheeling, and Distribution & Retail Supply under Multi Year Tariff Framework) Regulations, 2024 (hereinafter referred to as "Tariff Regulations") on 22.10.2024.

2.13 That Regulation 1.2 of the Tariff Regulations stipulate the applicability of Tariff Regulations from April 1st, 2025, to March 31st, 2030. All efforts are being made to achieve the commercial operation and intends to commence supply of electricity to the HPPC w.e.f. 31.5.2025.

2.14 That Kutehr HEP is a run-of-river scheme on the river Ravi in Chamba District, Himachal Pradesh. The project has an installed capacity of 240 MW. The full reservoir level (FRL) and minimum tail water level (TWL) of the project are El.1706.75 m and El.1397.00 m respectively. The project comprises of 27.0 m high barrage, intake structure on the left bank, desilting chamber, a circular head race tunnel of 6.2 m diameter and 14.60 km long, an aqueduct for crossing Salun Nalla, 15 m diameter and 87.45 m high surge shaft, a 4.35 m diameter steel lined pressure shaft, an underground Power house with an installed capacity of 3x80 MW and tail race tunnel. (said details are as accorded in TEC/ incorporate as built.)

2.15 That the project also comprises of storage capacity of 0.65 MCM which is sufficient for 3 hour peak supply in 2 slots, i.e., morning and evening peak for a duration of one and a half hours.

2.16 That the development of a Hydro Electric Project requires clearances and approvals by various authorities. The table below illustrates the permits and clearances accorded to Kutehr HEP:-

1	Implementation Agreement	IA dt 4.3.2011 valid for 40 years. Supplementary agreements dated 26.11.2018 and 27.01.2021
2	Environment Clearance	Clearance received on 5.7.2011 for ten years. Extension of clearance till 10.1.2027 was approved on 18.06.2021. (MoM dt 19.7.24)
3	Forest Clearance	Clearance received on 11.1.2013 & addendum dt 19.2.2013
4	Concurrence from CEA	Concurrence accorded on 31.08.2010. Extension of concurrence was approved on 24.07.2019
5	NOC from Defence	NOC dt. 04.09.2020 valid till 4.9.2027
6	NOC from Irrigation and Public Health Department	NOC dt. 27.11.2010
7	Land essentiality certificate	NOC dt. 27.04.2012
8	NOC from Aquatic Ecology/Fisheries Department	NOC dt. 21.07.2014
9	NOC from Wildlife Department	NOC dt. 30.03.2009
10	NOC from Public Works Department, Himachal Pradesh	NOC dt. 24.02.2012
11	Consent to establish by Himachal State Pollution Control Board	Consent accorded on 17.08.2012 and renewed till 31.03.2024 vide letter dt 13.03.2024
12	NOC from Ministry of Water and Resources	NOC dt. 15.6.2010

2.17 That Kutehr HEP has 3 units of 80 MW each with a total installed capacity of 240 MW as approved by the Government of Himachal Pradesh vide the IA & SIAs dated 04.03.2011, 26.11.2018 & 27.01.2021 and CEA concurrence dated 31.08.2010 & 24.07.2019. The anticipated COD of Kuther HEP is as given below:

a) Unit No.1: 30.4.2025

b) Unit No.2: 15.5.2025

c) Unit No.3: 31.5.2025

2.18 That the Design Energy of Kutehr HEP is 954.70 MU. The water availability is excellent and the HEP can provide PUF of 45.41%, as illustrated in the table below:

Design Energy Generation (240 MW)
(Corresponding to 90% Dependable Year 1985-86 - with no overload)

Month	Period	No of days	10-Daily Discharge (cumec)	Release for Aquatic Life (cumec)	Available Discharge (cumec)	Power with 95% plant availability (MW)	Power (MW)	Capped Power (MW)	Energy	Energy on Monthly Basis
June	I	10	93.80	2.95	90.85	228.00	231.22	228.00	54.72	164.16
	II	10	92.60	2.95	89.65	228.00	228.16	228.00	54.72	
	III	10	92.60	2.95	89.65	228.00	228.16	228.00	54.72	
July	I	10	93.80	2.95	90.85	228.00	231.22	228.00	54.72	169.63
	II	10	116.90	2.95	113.95	228.00	290.01	228.00	54.72	
	III	11	106.30	2.95	103.35	228.00	263.03	228.00	60.19	
Aug	I	10	105.30	2.95	102.35	228.00	260.49	228.00	54.72	167.53
	II	10	98.40	2.95	95.45	228.00	242.93	228.00	54.72	
	III	11	89.40	2.95	86.45	228.00	220.02	220.02	58.09	
Sept	I	10	72.90	2.95	69.95	228.00	178.03	178.03	42.73	105.58
	II	10	54.40	2.95	51.45	228.00	130.94	130.94	31.43	
	III	10	54.40	2.95	51.45	228.00	130.94	130.94	31.43	
Oct	I	10	30.10	2.95	27.15	228.00	69.10	69.10	16.58	43.16
	II	10	26.60	2.95	23.65	228.00	60.19	60.19	14.45	
	III	11	21.00	2.95	18.05	228.00	45.94	45.94	12.13	
Nov	I	10	16.20	2.95	13.25	228.00	33.72	33.72	8.09	24.95
	II	10	18.50	2.95	15.55	228.00	39.58	39.58	9.50	
	III	10	15.00	2.95	12.05	228.00	30.67	30.67	7.36	
Dec	I	10	16.20	2.95	13.25	228.00	33.72	33.72	8.09	24.82
	II	10	16.20	2.95	13.25	228.00	33.72	33.72	8.09	
	III	11	15.80	2.95	12.85	228.00	32.70	32.70	8.63	
Jan	I	10	15.00	2.95	12.05	228.00	30.67	30.67	7.36	19.86
	II	10	13.90	2.95	10.95	228.00	27.87	27.87	6.69	
	III	11	11.60	2.95	8.65	228.00	22.01	22.01	5.81	
Feb	I	10	11.60	2.95	8.65	228.00	22.01	22.01	5.28	16.88
	II	10	12.70	2.95	9.75	228.00	24.81	24.81	5.96	
	III	8	14.50	2.95	11.55	228.00	29.40	29.40	5.64	
March	I	10	15.00	2.95	12.05	228.00	30.67	30.67	7.36	27.64
	II	10	19.70	2.95	16.75	228.00	42.63	42.63	10.23	
	III	11	17.90	2.95	14.95	228.00	38.05	38.05	10.04	
April	I	10	22.00	2.95	19.05	228.00	48.48	48.48	11.64	68.14
	II	10	32.40	2.95	29.45	228.00	74.95	74.95	17.99	
	III	10	66.00	2.95	63.05	228.00	160.47	160.47	38.51	
May	I	10	64.80	2.95	61.85	228.00	157.41	157.41	37.78	122.36
	II	10	64.80	2.95	61.85	228.00	157.41	157.41	37.78	
	III	11	72.60	2.95	69.65	228.00	177.26	177.26	46.80	
TOTAL ENERGY										**954.70**

PUF (%)	**45.41**

Note:
1. Power limited to 95% of installed capacity in monsoon months as per guidelines of the CEA
2. Release for aquatic life considered in DPR was 2.12. cumec based on which Design energy of 969 Mus was calculated and approved in TEC. Based on environment clearance dt. 5.7.2011 specific condition no. (vi), the release for aquatic life has been revised to 2.95 cumec and therefore Gross Design energy considered for tariff calculations is 954.70 Mus.

2.19 That clause 5.3.1 of the IA dated 04.03.2011 stipulated the levy of royalty as under:

"… The royalty in the shape of free power shall be levied @ 12% of the Deliverable Energy of the Project for the period starting from the date of synchronization of the first generating unit and extending upto 12 years from the date of Scheduled Commercial Operation of the Project @ 18% of Deliverable Energy of the Project for a period of next 18 years and @30% of the Deliverable Energy for the balance Agreement Period beyond 30 years. The royalty in the shape of free power shall start accruing to the First Party from the Scheduled Commercial Operation Date/synchronization of first generating unit, whichever is earlier"

2.20 That vide its notification dated 15.05.2018, the Government of Himachal Pradesh had revised provisions pertaining to Free Power royalty applicable to allotted projects. Therefore, the Petitioner entered the Supplementary IA dated 26.11.2018 wherein the Clause 5.3.1 was revised as under:

"…The royalty in the shape of free power shall be levied @ 12% of the Deliverable Energy of the Project for the period starting from the date of synchronization of the first generating unit and extending upto 12 years from the date of Scheduled Commercial Operation of the Project @ 18% of Deliverable Energy of the Project for a period of next 18 years and @30% of the Deliverable Energy for the balance Agreement Period beyond 30 years. The royalty in the shape of free power shall start accruing to the First Party from the Scheduled Commercial Operation Date/synchronization of first generating unit, whichever is earlier.

Provided further that the First Party vide notification No. MPP (F)-2/2005-X dated 15.05.2018 has deferred Free Power Royalty for the critical period of initial 12 years i.e. during first time band of the Project. The quantum to be deferred shall be recovered in the next 28 years i.e. during the period starting from 13th year and extending till completion of 40th year of commissioning at a uniform percentage rate."

2.21 That the Petitioner, in its offer to HPPC, had specified Free Power royalty applicable as 0% for first 12 years.

2.22 That the Saleable Design Energy of the Kutehr HEP based on which tariff shall be computed, is being arrived after deducting normative auxiliary consumption as per HERC Tariff Regulations and applicable Free Power royalty.

Clause 9.1.4 of PPA stipulates as under, regarding free power:

“The company agrees that the cost of free power to the project State over and above that allowed as per Govt. of India notification shall be borne by the generator duly considering the deferment of free power for the initial 12 years as per the supplementary Implementation Agreement date 26.11.2018.”

Para 5.7 of National Tariff Policy 2016 reads as under:

5.7 (iii) Annual fixed charges shall be taken pro-rata to the saleable design energy tied up on the basis of long term PPAs with respect to total saleable design energy. The total saleable design energy shall be arrived at by deducting the following from the design energy at the bus bar:

a) Free power as notified by the Central Government from time to time for the host State and the riparian State and percentage for contribution towards Local Area Development Fund as constituted by the State Government. This free power may be suitably staggered as decided by the State Government.

Proviso to para 5.1 of National Tariff Policy 2006 was amended as under:

(iii) Annual fixed charges shall be taken pro-rate to the saleable design energy tied up on the basis of long term PPAs with respect to total saleable design energy. The total saleable design energy shall be arrived at by deducting the following from the design energy at the bus bar:

a) *13% of free power (12% for the host Government and 1% for contribution towards Local Area Development Fund as constituted by the State Government). This 12% free power may be suitably staggered as decided by the State Government*

b) *Energy corresponding to 100 units of electricity to be provided free of cost every month to every project affected family notified by the State Government to be offered through the concerned distribution licensee in the designated resettlement area/ projects area for a period of ten years from the date of commissioning”.*

2.23 That Regulation 35.3 of the HERC Tariff Regulations 2024 specify the auxiliary consumption applicable to hydro stations. As Kutehr HEP is an underground hydro generating station with static excitation system, auxiliary consumption has been considered at 1.20%.

2.24 That computation of Saleable Design Energy is illustrated in the table below:

Particulars	**1st to 12th year**	**13th to 30th year**	**31st to 35th year**
Design Energy (MU)	954.70	954.70	954.70
Less: Aux Consumption @1.20% (MU)	11.46	11.46	11.46
Net Design Energy after Aux Consumption (MU)	943.24	943.24	943.24
Less: Free Power (%)	0%	17.14% (12% + 5.14%)	17.14% (12% + 5.14%)
Less: Free Power (MUS)	-	161.67	161.67
Net Design Energy (MU)	943.24	781.57	781.57
Saleable Design Energy (MU)	943.24	781.57	781.57

1. First 12 years' free power @ 12% is distributed in next 28 years (12 * 12 / 28 = 5.14%)

2. Free power contribution for LADF @1% is not considered above in terms of HP High Court order dt. 19.6.2012 in CWP no. 697 of 2010. This order dt 19.6.2012 is pending challenge before Hon'ble Division bench of Himachal Pradesh High Court in LPA no. 358 of 2012.

2.25 That Kutehr HEP is to be connected with the network of the Himachal Pradesh Power Transmission Corporation Limited (HPPTCL) through LILO from 400 KV double Circuit Transmission Line Lahal to Rejera at Tower No.8 to Pot Head Yard for evacuation of power of Kutehr. HPPTCL has developed 400 kV D/C transmission line from Lahal pooling substation to 400 kV Rajera substation of Power Grid Corporation of India Limited for evacuation of power from hydro-electric projects in the Ravi basin.

2.26 That Himachal Pradesh Power Transmission Corporation Limited granted Long Term Open Access connectivity to the petitioner, vide its letter dated 01.02.2022. Furthermore, the Petitioner vide its letter dated 03.05.2024 apprised the HPPC of grant of Long Term Open Access connectivity and also requested the HPPC to apply for ISTS GNA for drawl at the periphery of the State of Haryana.

2.27 That Regulation 17.1 of Central Electricity Regulatory Commission (Connectivity and General Network Access to the inter-State Transmission System) Regulations, 2022 prescribes as under.

"17.1. The following entities shall be eligible as Applicants to apply for grant of GNA or for enhancement of the quantum of GNA:

(i) State Transmission Utility on behalf of intra-State entities including distribution licensees;

(ii) A drawee entity connected to intra-State transmission system;

(iii) A distribution licensee or a Bulk consumer, seeking to connect to ISTS, directly, with a load of 50 MW and above;

(iv) Trading licensees engaged in cross border trade of electricity in terms of the Cross Border Regulations;

(v) Transmission licensee connected to ISTS for drawal of auxiliary power."

2.28 That Regulation 18 of the HERC Tariff Regulations 2024 specifies as under:

18. CAPITAL COST

(1) The Capital cost as admitted by the Commission after prudence check and subject to debt-equity ratio as per provisions of these Regulations, shall form the basis of determination of tariff for new power projects.

Provided that where the power purchase agreement entered into between the generating Company and the beneficiaries or transmission service agreement entered into between transmission licensee and the long-term transmission consumer, as the case may be, provides for a ceiling of actual expenditure, the capital expenditure shall not exceed such ceiling for determination of tariff;

Provided further that any person intending to establish, operate and maintain a generating plant may make an application before the Commission for „in principle" acceptance of the project capital cost and financing plan before taking up a project. The petition shall contain information regarding salient features of the project including the capacity, location, site specific features, fuel, beneficiaries, break-up of the capital cost estimates, financial package, schedule of commissioning, reference price level, estimated completion cost including foreign exchange components, if any, consent of beneficiary licensees to whom the electricity is proposed to be sold etc.;

Provided also that where the Commission has given "in principle" acceptance to the estimates of project capital cost and financing plan, the same shall be the guiding factor for applying prudence check on the actual capital expenditure;

(2) The Capital Cost of a new project shall include the following:

(a) the expenditure incurred or projected to be incurred up to the date of Commercial operation of the project;

(b) Interest during construction and financing charges, on the loans (i) being equal to 70% of the funds deployed, in the event of the actual equity in excess of 30% of the funds deployed, by treating the excess equity as normative loan, or (ii) being equal to

the actual amount of loan in the event of the actual equity less than 30% of the funds deployed;

(c) Increase in cost in contract packages as approved by the Commission;

(d) Interest during construction and incidental expenditure during construction as computed in accordance with these Regulation.

(e) capitalized Initial spares subject to the ceiling rates, as a percentage of the original Plant and Machinery cost as on the cut-off date, as specified below:-

Generation Company	*1. Coal-based generating plants:*	*2.50%*
	2. Gas Turbine / Combined Cycle generating plants	*4.00%*
	3. Hydro generating stations including pumped storage (PSP) hydro generation stations	*1.50%*
Transmission licensee	*1. Transmission lines*	*0.75%*
	2. Transmission substations	*2.50%*
	3. Series compensation devices and HVDC stations	*3.50%*
Distribution licensee	*Distribution Business Projects*	*1.50%*

Provided that:

(i) where the generating station has any transmission equipment forming part of the generation project, the ceiling norms for initial spares for such equipment shall be as per the ceiling norms specified for transmission system under these Regulations:

(ii) once the transmission project is commissioned, the cost of initial spares shall be restricted on the basis of plant and machinery cost corresponding to the transmission project at the time of truing up:

(iii) for the purpose of computing the cost of initial spares, plant and machinery cost shall be considered as on cut-off date excluding IDC, IEDC, Land Cost and cost of civil works. The generator/licensee shall submit the breakup of head wise IDC & IEDC in its tariff application

(f) expenditure on account of additional capitalization and de-capitalization determined in accordance with these Regulation;

(g) any gain or loss on account of foreign exchange risk variation pertaining to the loan amount availed during the construction period as approved by the Commission.

(h) adjustment of revenue due to sale of infirm power in excess of fuel cost prior to the COD as specified under these Regulations; and

(i) adjustment of any revenue earned by using the assets before COD

(3) The capital cost in case of a new hydrogenating station shall also include:

(a) cost of approved rehabilitation and resettlement (R&R) plan of the project in conformity with National R&R Policy and R&R package as approved; and

(b) cost of the developer"s 10% contribution towards Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) project in the affected area

……..

(5) The following shall be excluded or removed from the capital cost of the existing and new project:

The assets forming part of the project, but not in use;

Decapitalization of Asset;

(c) In case of hydro generating station, any expenditure incurred or committed to be incurred by a project developer for getting the project site allotted by the State government by following a two-stage transparent process of bidding; and

(d) the proportionate cost of land which is being used for generating power from generating station based on renewable energy:

Provided that any grant received from the Central or State Government or any statutory body or authority for the execution of the project which does not carry any liability of repayment shall be excluded from the Capital Cost for the purpose of computation of interest on loan, return on equity and depreciation

(6) Capital cost to be allowed by the Commission for the purpose of determination of tariff for respective businesses will be based on the capital investment plan prepared by the generating company or the licensee, as the case may be, and approved by the Commission prior to the filing of application for multiyear tariff by the generating company/licensees.

………..

2.29 That the Government of Himachal Pradesh had entered into a Pre-Implementation Agreement dated 01.03.2008 with JSW Energy Ltd to carry out detailed investigation, techno-economic studies and submission of DPR for Kutehr HEP. Accordingly, CEA, vide its Order dated 31.08.2010 had accorded its concurrence to the Kutehr HEP.

2.30 That Article 4 of the IA dated 04.03.2011 defines the various obligations of the Government of Himachal Pradesh. On account of non-completion of various tasks such as acquisition of private land, lease of forest land and felling of trees, the Petitioner was unable to commence construction of the project. On receipt of necessary request from the Petitioner and the receipt of No Objection/Authorization of the Government of

Himachal Pradesh, CEA had extended its concurrence accorded to Kutehr HEP upto 31.03.2020.

2.31 That Government of Himachal Pradesh, vide its notification dated 07.11.2020 had notified a One Time Amnesty by redefining zero date for projects which are under investigation and clearance stage. As the IA dated 04.03.2011 was already in force, the Petitioner entered into the SSIA dated 27.01.2021 wherein Zero Date was redefined as 29.10.2019.

2.32 That the petitioner approached the State Bank of India towards financing of the Kutehr HEP. The State Bank of India appointed M/s Entura Hydro Tasmania India Pvt Ltd as Lender's Engineer for this project. Based on the independent assessment of lender engineer, financial closure was done by the Petitioner. Accordingly, Petitioner arranged for debt financing from the State Bank of India towards a term loan of Rs. 1,929 Crore @ 67% of the estimated project cost. The Petitioner intends to finance the remainder of the project cost, i.e. Rs. 950 Crore through equity contribution.

2.33 That the petitioner has computed Interest during Construction (IDC) by considering the actual loan drawn during the period of construction. Additionally, Regulation 18 (2) of the HERC Tariff Regulations 2024 stipulates as under:-

"(2) The Capital Cost of a new project shall include the following:
…
(b) Interest during construction and financing charges, on the loans (i) being equal to 70% of the funds deployed, in the event of the actual equity in excess of 30% of the funds deployed, by treating the excess equity as normative loan, or (ii) being equal to the actual amount of loan in the event of the actual equity less than 30% of the funds deployed;"

2.34 That the construction of Kutehr HEP had commenced during FY 2019-20. Furthermore, the Petitioner was in receipt of equity contribution in excess of 30% of funds deployed during the period from FY 2019-20 till SCOD in FY 2025-26. The Petitioner has considered rate of interest as per the provisions of Regulation 21(2)(i) of the HERC Tariff Regulations 2024.

Accordingly, the Petitioner has considered excess equity deployed as normative loan, as explained in the table below:-

Rs. Crore

Particulars	FY 20	FY 21	FY 22	FY 23	FY 24	FY 25 (upto Dec'24)	FY 26 (Jan-May'25)
Actual Equity Deployed	71.53	456.82	798.00	872.71	916.77	916.77	950.00
Normative Equity	21.46	137.04	283.30	485.70	631.20	759.46	854.98
Excess Equity	50.07	319.77	514.70	387.01	285.57	157.31	95.02
Excess equity considered as normative loan	50.07	319.77	514.70	387.01	285.57	157.31	95.02
SBI MCLR %	8.55%	7.75%	7.00%	7.00%	8.50%	8.65%	8.65%
Rate of Interest (MCLR+1.50%)	10.05%	9.25%	8.50%	8.50%	10.00%	10.15%	10.15%
Additional IDC for the year / period	**5.03**	**29.58**	**43.75**	**32.90**	**28.56**	**11.98**	**4.02**
Additional IDC for the period from FY 20 to FY 26 as per provisions of Regulation 19.2 (b) of HERC Tariff Regulations 2024							**155.81**

2.35 That the Petitioner has anticipated the final capital cost as on SCOD (based on the audited accounts as on 31st March 2024 and unaudited accounts as on 31st December 2024 and estimates of remaining works to be executed) in the table below:

Rs. Crore

Sl.No.	Cost Parameters	Mar'24	Dec'24	May'25
1	Land and Building	22.51	22.97	75.00
2	Civil and Hydro Mechanical Works	1213.34	1420.55	1421.00
3	Electro Mechanical Works & Transmission	210.32	250.35	318.00
4	Preliminary, Survey, Consultancy and Others	54.08	72.34	72.34
5	Other Hard Cost (Overheads, Establishment, Communication, etc)	228.95	236.44	372.20
6	Upfront Premium	124.80	124.80	124.80
7	Local Area Development Cost	26.94	26.94	42.74
8	Interest during Construction			
a)	IDC on actual debt	127.52	230.86	310.88
b)	Finance Charges	25.40	26.29	26.29
9	Margin money & deposits	28.91	9.68	9.68
	Sub Total	**2062.77**	**2421.22**	**2772.93**
10	IDC on excess equity as normative loan	139.81	151.79	155.81
11	Contingency / undischarged liabilities	46.00	46.00	46.00
	Total Expected Project Cost	**2248.58**	**2619.01**	**2974.74**

2.36 That for the purpose of determination of tariff, the capital cost anticipated by the Petitioner as on COD is tabulated below:

Anticipated final capital cost as on SCOD Rs. 2974.74 crore

Less: Upfront premium Rs. 124.80 crore

Capital cost considered for tariff Rs. 2849.94 crore

Thus, the Petitioner requests the Hon'ble Commission to consider project cost at Rs. 2,850 Crore for the purpose of this instant Petition.

2.37 That PPA dated 05.03.2022 had defined the Required Commercial Operation Date which is to be adhered to by the Petitioner. For the sake of brevity, the same is reproduced below:

"i. Unit 1- 47 months

ii. Unit II- 50 months

iii. Unit *III & **COD of the project- 53 months" (emphasis added)***

2.38 That as a result of the timelines agreed to in the PPA, the Petitioner is required to ensure COD by 05.08.2026. However, it is submitted that the Kutehr HEP is expected to attain COD on 31.5.2025. Therefore, it is submitted that there is no delay in commissioning of the project, as far as PPA timeline is concerned.

2.39 That Regulation 18.2 of the HERC Tariff Regulations, 2024 specifies as under:

"18.2.1 The Commission may consider allowing, subject to prudence check, any additional capital expenditure incurred or projected to be incurred, after the commercial operation date of a project and up to the cut-off date, on the following provided the same was part of the original scope of work of the project: (a) Deferred liabilities without any carrying cost; (b) Works deferred for execution without any escalation; (c) Procurement of initial capital spares in the original scope of work without any escalation, subject to ceiling specified above; (d) Foreign exchange rate variation (e) Liabilities to meet award of arbitration provided that it is not on account of any fault of the generation company or the licensee, as the case may be; (f) Liabilities on account of compliance of the order or decree of a court; (g) Liabilities on account of change in law:

Provided that details of the works included in the original scope of work along with estimates of expenditure, un-discharged liabilities and works deferred for execution shall be submitted along with the application for determination of tariff after the date of commercial operation of the project;

18.2.2 The Commission may consider admitting, after prudence check, the capital expenditure of the following nature actually incurred after the cut-off date: (a) Deferred liabilities relating to works/services within the original scope of work without any escalation; (b) Liabilities to meet award of arbitration provided that it is not on account of any fault of the generation company or the licensee, as the case may be; (c) Liabilities on account of compliance of the order or decree of a court; (d) Liabilities on account of change in law; (e) Any additional works/services which have become necessary for efficient and successful operation of the project, but not included in the original project cost;"

2.40 That the cost associated with additional capitalization shall be prudently ascertained by the Petitioner once the project achieves COD. Accordingly, the Petitioner shall approach the Hon'ble Commission for approval of additional capitalization when the details of the actual additional capitalization cost is available.

2.41 That Hon'ble Commission, vide its Order dated 24.09.2020 had noted that hydro generation plants/ projects are best suited for contracting additional power to meet peak deficit. Furthermore, capital cost involved in a hydro generation project is a key parameter of associated costs. Moreover, HERC Tariff Regulations provide for prudence check by the Hon'ble Commission to ascertain the reasonableness of the capital expenditure incurred by the Petitioner.

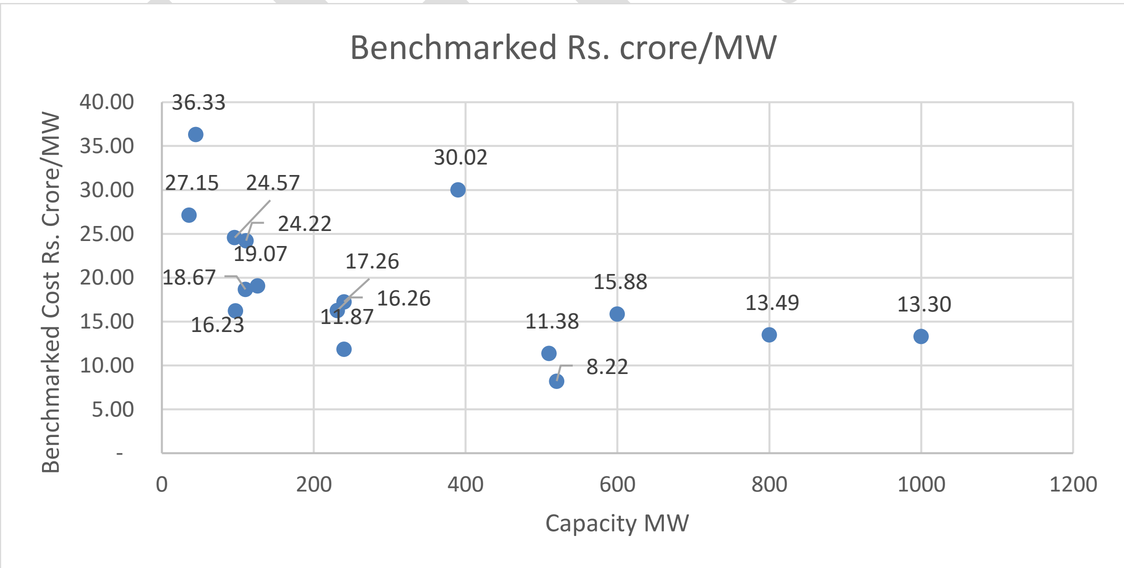
Therefore, to provide for the reasonableness of capital expenditure incurred by the Petitioner, the Petitioner has conducted an analysis of costs being incurred by various hydro projects across various geographical regions. Cost comparison and assessment among various hydro generation projects of similar nature provide basic insight as to where the current costs associated with a particular project stand and also establishes if the incurred costs are justified or not. Accordingly, the Petitioner, to assess the reasonability of capital expenditure incurred has compared the capital costs incurred by other hydro power developers through the benchmarking study. The projects considered for the benchmarking were commissioned in the last sixteen years and have been spread out across various regions. Further, the cost components are thereafter brought at base year of 2024 by considering an average inflation rate of 5.1% per annum.

Due to the site topography, the cost of civil works for run of the river schemes varies to the great extent. So, it was difficult to establish the separate cost tables for the components like desilting tank, forebay, powerhouse, penstock which depend on the site conditions.

Sr No	Project	Company	State	Capacity (MW)	CoD	Rs Crore/ MW (Actual)	Rs Crore/ MW (Approved)	Benchmarked Cost (Rs Crore/ MW) as on 2024
1	Tashiding HEP	Shiga Energy	Sikkim	2X48.5= 97	06/11/2017	11.46	9.29	16.23
2	Jorethang Loop HEP	DANS Energy	Sikkim	2X48= 96	30/09/2015	15.70	9.48	24.57
3	Parbati-III HEP	NHPC	Himachal Pradesh	4X130= 520	06/06/2014	5.00		8.22
4	Uri-II HEP	NHPC	Jammu & Kashmir	4X60= 240	01/03/2014	9.99	8.95	17.26
5	Chamera-III HEP	NHPC	Himachal Pradesh	3X77= 231	04/07/2012	8.95		16.26
6	Kameng HEP	NEEPCO	Arunachal Pradesh	4X150= 600	12/02/2021	13.68		15.88

7	Chanju I HEP	IA Hydro	Himachal Pradesh	3X12=36	26/07/2014	16.52	12.03	27.15
8	Larji HEP	HPSEB	Himachal Pradesh	1X126= 126	28/02/2014	11.60	8.72	19.07
9	Sawra Kuddu HEP	HPPCL	Himachal Pradesh	3X37= 111	09/12/2020	19.85		24.22
10	Karcham Wangtoo HEP	JSW Hydro	Himachal Pradesh	4X250= 1000	13/09/2011	6.97	6.36	13.30
11	Koldam HEP	NTPC	Himachal Pradesh	4X200= 800	18/07/2015	8.62	7.97	13.49
12	Dulhasti HEP	NHPC	Jammu & Kashmir	3X130= 390	07/04/2007	12.89	13.15	30.02
13	Teesta HEP Stage-V	NHPC	Sikkim	3X170= 510	10/04/2008	5.14	4.88	11.38
14	Nimoo Bazgo HEP	NHPC	Jammu & Kashmir	3X15=45	10/10/2013	21.02	21.80	36.33
15	Chuzachen HEP	Gati Infrastructure	Sikkim	2X55= 110	18/05/2013	10.81	10.41	18.67
16	Kutehr HEP	JSW Energy Kutehr Ltd	Himachal Pradesh	3X80= 240		11.87		11.87

2.42 That the trend of per MW Cost of the above Projects is graphically represented as below. The Horizontal axis (X-axis) represent the capacity of the project in MW and Vertical Axis (Y-axis) represents the Benchmark cost per MW in Rs Crores. As can be observed from the same, the trendline indicates that the trend of cost is decreasing as the capacity goes on increasing clearly indicating the cost advantage due to economies of scale.



It is submitted that two projects i.e., Uri-II (240 MW) and Chamera-III (231 MW) are similar to the Kutehr HEP with respect to the installed capacity. However, it can be distinctly observed that when the capital of these two projects is escalated with inflation rate and bought to the base year of 2024, they are having the incurred cost at much higher levels than the Petitioner's Kutehr plant. The Benchmarked Cost per MW as in 2024 of the Uri-II (240 MW) is 17.26 Cr and of Chamera-III (231 MW) is Rs. 16.26 Cr. This is much higher than the JSW Kutehr Cost per MW of Rs 11.87 Cr.

2.43 That this further strengthens the Petitioner claim of justified capital cost incurred in the current project. Not only does this justify the incurred capital cost but also underlines the cost efficiency of the Petitioner.

Depreciation

2.44 That Regulation 23 of the HERC Tariff Regulations 2024 specifies as under:

"23. DEPRECIATION

For the purpose of tariff determination, the depreciation shall be calculated in the following manner: -

(a) The value base of asset shall be the historical capital cost of the asset as admitted *by the Commission. The historical capital cost shall include additional capitalization including foreign exchange rate variation, if any already allowed by the Commission up to 31st March of the relevant year.*

(b) The residual 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 the salvage value for IT equipment and software shall be considered as NIL and 100% value of the assets shall be considered depreciable.

(c) Depreciation shall be calculated annually over the useful life of the asset at the rates specified in Appendix I up to 31st March of the 12th year from the date of commercial operation of the asset.

From 1st April of 13th year from the commercial date of operation of the asset, the remaining depreciable value if any out of the 90% of the capital cost of the asset shall be equally spread over the balance useful life of the asset.

The deprecation rates given in Appendix-I will be applicable w.e.f. 1.04.2025 only. The depreciation, in case of existing assets, up to 31.03.2025 shall be considered as already allowed and shall not be re– visited.

Provided that the rate provided in Appendix I, are the upper ceiling of the rate of depreciation to be provided up to 12th year from the date of COD and the developer shall have the option of indicating, while seeking approval for tariff, lower rate of depreciation, subject to the aforesaid ceiling.

(d) Land shall not be considered as a depreciable asset and cost shall be excluded from the capital cost while computing depreciable value of asset.

(e) Depreciation shall be chargeable from the first year of commercial operation. In case of commercial operation of the asset for part of the financial year, then the depreciation shall be charged on pro rata basis;

(f) Depreciation shall not be allowed on assets (or part of assets) funded by consumer contribution (i.e., any receipts from consumers that are not treated as revenue) and capital subsidies / grants.

Provision for replacement of such assets shall be made in the capital investment plan.

(g) Provided also that the capital cost of the assets of the hydro generating station for the purpose of computation of depreciated value shall correspond to the percentage of the sale of electricity under long-term power purchase agreement at regulated tariff.

(h) Provided also that any depreciation disallowed on account of lower availability of the generating station or unit or transmission system, as the case may be, shall not be allowed to be recovered at a later stage during the useful life or the extended life

2.45 That depreciation for Plant & machinery and Buildings has been calculated as per rates specified in the HERC Tariff Regulations 2024. However, in respect of office equipment, furniture & fixtures, vehicles and IT equipment, useful life is lesser that the project useful life and therefore depreciation has been worked out based on the Companies Act /CERC provisions.

Moreover, <u>regarding the salvage value of the project,</u> clause 3.2 of the IA dated 04.03.2011 specifies as under:-

*"**3.2 Agreement Period***

(a) This Agreement shall remain in force upto a period of 40 years from the Schedule Commercial Date of the Project (Agreement Period) unless terminated earlier in accordance with the provisions of this agreement.

***(b) On completion of the Agreement Period, the Project shall revert to the First Party free from all encumbrances together with all land, buildings, plant, machinery, spare parts and all assets of the Project which have been charged to the Projects cost and the First Party shall operate and maintain the Project in entirety and the Project shall not be further handed over to any private party.**"*

(Emphasis added)

2.46 That on the expiry of the IA dated 04.03.2011, the Kutehr HEP shall stand handed over to the Government of Himachal Pradesh.

In this regard, the Petitioner humbly draws reference of the Hon'ble Commission to its Order in Case No. HERC/PRO-41 of 2018 dated 23.02.2022 in the matter of approval of generation tariff of Chuzachen HEP 110 MW wherein the Hon'ble Commission had approved depreciation for the entire admitted capital cost. The relevant extract is reproduced below:

*"**In the present case depreciation has been considered for the entire admitted capital cost, as the project in the present case on Build Own Operate and Transfer (BOOT). Hence, the promoter (petitioner) will not get the benefit of salvage value and the power project will have to be transferred to the Sikkim Government after completion of its useful life**. This dispensation is also in line with the principle adopted by the Commission while determining generation tariff for two similarly placed HEPs in Sikkim." (Emphasis added)*

2.47 That Kuther HEP shall be handed over to the Government of Himachal Pradesh on completion of the Agreement Period, the Petitioner would not be able to avail the benefit of salvage value. Thus, the Petitioner requests the Hon'ble Commission to consider depreciation towards the entire capital cost incurred by the Petitioner.

2.48 That depreciation for the fixed assets comprising the Kutehr HEP has been summarized in the table below:

Rs. Crore

Particulars	Year-1	Year-2	Year-3	Year-4	Year-5	Year-6	Year-7
Depreciation	150.64	150.64	150.64	150.64	150.64	150.22	148.79

Particulars	Year-8	Year-9	Year-10	Year-11	Year-12	Year-13	Year-14
Depreciation	148.79	148.79	148.79	148.50	148.50	45.32	45.32

Particulars	Year-15	Year-16	Year-17	Year-18	Year-19	Year-20	Year-21
Depreciation	45.32	45.32	45.32	45.32	45.32	45.32	45.32

Particulars	Year-22	Year-23	Year-24	Year-25	Year-26	Year-27	Year-28
Depreciation	45.32	45.32	45.32	45.32	45.32	45.32	45.32

Particulars	Year-29	Year-30	Year-31	Year-32	Year-33	Year-34	Year-35
Depreciation	45.32	45.32	45.32	45.32	45.32	45.32	45.32

2.49 That Regulation 19 of the HERC Tariff Regulations 2024, specifies as under:

"19. DEBT EQUITY RATIO

…

19.2 New projects - For new projects commissioned or whose capacity is expanded on or after 1st April 2025:

(a) A Normative debt-equity ratio of 70:30 shall be considered for the purpose of determination of Tariff;

(b) 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;

(c) In case the actual equity employed is less than 30%, then the actual debt-equity ratio shall be considered;

(d) The premium, if any, raised by the generating company or the licensee 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 and form part of the approved financial package.

The generating company or the licensee, as the case may be, shall submit the resolution of the Board of the company or the approval of the competent authority in other cases regarding the infusion of funds from internal resources in support of the utilization made to meet the capital expenditure, as the case may be.

(e) For the purposes of computation of return, the portion of free reserves utilized for meeting the capital expenditure shall be considered from the date the asset created is productively deployed in the business."

2.50 That Kutehr HEP was funded through a combination of debt and equity at 67:33. However, as specified under Regulation 19.2 (a) of the HERC Tariff Regulations, the Petitioner has considered a Debt-Equity ratio of 70:30.

Interest on Loan Capital

2.51 That Regulation 21 of the HERC Tariff Regulations 2024, specifies as under:

"21. INTEREST ON LOAN CAPITAL

21.1 Existing loans

(i) Interest on loan capital shall be computed loan-wise for existing loans arrived in a manner specified in Regulation 19 and shall be as per the rates approved by the Commission.

(ii) The loan outstanding as on 1st April of each financial year shall be worked out as the gross loan in accordance with Regulation 19 by deducting the cumulative repayment as admitted by the Commission up to 31st March of previous financial year from the gross normative loan;

(iii) The rate of interest shall be the weighted average rate of interest on institutional loans calculated on the basis of the actual loan portfolio at the beginning of each year applicable to the project. In case the weighted average rate is not available, the interest rate approved by the Commission in its earlier tariff order shall be allowed.

Provided 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 shall be considered;

Provided further that if the generating plant/project does not have actual loan, then the weighted average rate of interest of the generating company/licensee as a whole shall be considered.

(iv) The interest on loan shall be calculated on the normative average loan of the year by applying the weighted average rate of interest;

(v) The generating company and the licensee shall from time to time review their capital structure i.e. debt and equity and make every effort to restructure the loan portfolio as long as it results in net savings on interest. The costs associated with such re-financing shall be borne by the beneficiaries and the net savings (after deducting the cost of re-financing) shall be subjected to incentive / penalty framework as mentioned in the Regulation 12 which shall be dealt with at the time of mid-year performance review/true-up.

(vi) The changes to the loan terms and conditions shall be reflected from the date of such refinancing and benefit passed on to the beneficiaries;

(vii) In case of any dispute relating to re-financing of loan, any of the parties may approach the Commission with proper application along with all the relevant details. During the pendency of any dispute, the beneficiaries shall not withhold any payment on account of orders issued by the Commission.

(viii) In case any moratorium period on repayment of loan is availed of by the generating company or the licensee, depreciation provided for in the tariff during the years of

moratorium shall be treated as repayment during those years and interest on loan capital shall be calculated accordingly.

Provided that the repayment for each year of the control period shall be deemed to be equal to the depreciation allowed for the corresponding year.

21.2 ***New loans (on or after 1st April 2025)***

(i) Rate of interest on new loans i.e. on or after 01.04.2025 shall be equal to the marginal cost of funds-based lending rate (MCLR) of the SBI plus a maximum of 150 basis points w.r.t. 1st April of the relevant financial year. They shall however, be required to submit due justification to the Commission for the terms and conditions of the loans raised by them including the loan sanction letter from the banks/lending institutions, indicating the applicable rate of interest.

Provided that interest and finance charges on works in progress shall be excluded and shall be considered as part of the capital cost;

Provided further that neither penal interest nor overdue interest shall be allowed for computation of Tariff

(ii) Any variation above or below the allowed interest rate shall be subject to the incentive and penalty framework specified in Regulation 12. The incentives on refinancing should be net of costs.

(iii) The amount of loan shall be arrived in the manner as specified in Regulation 19 and shall be based on the approved capital investment plan.

(iv) In case any moratorium period on repayment of loan is availed of by the generating company or the licensee, depreciation provided for in the tariff during the years of moratorium shall be treated as repayment during those years and interest on loan capital shall be calculated accordingly

21.3. *The interest computation shall exclude interest on loan amount, normative or otherwise, to the extent of capital cost funded by Consumer Contributions, Grants or Deposit Works carried out by Transmission Licensee or Distribution Licensee or Generating Company, as the case may be.*

21.4. *Interest shall be allowed on the amount held as security deposit held in cash from Transmission System Users, Distribution System Users and Retail consumers, at the Bank Rate as on 1st April of the financial year in which the petition is filed provided it is payable be the transmission/distribution licensee.*

2.52 That the Petitioner has computed the amount of loan for the computation of tariff as specified in Regulation 21 of the HERC Tariff Regulations 2024. The Petitioner humbly requests the Hon'ble Commission to consider the capital investment plan as submitted in the instant Petition for computation of amount of loan & computation of tariff.

2.53 That the Petitioner has availed loans from the State Bank of India and other financial institutions towards debt funding of the Kutehr HEP. The Petitioner has considered the prevailing rate of interest of 9.70-10.15% for calculation of interest on loan.

2.54 That interest on loan as computed as per the provisions of the HERC Tariff Regulations 2024, is summarized in the table below:

Rs. Crore

Particulars	Year-1	Year-2	Year-3	Year-4	Year-5	Year-6	Year-7
Interest on Loan	194.84	179.55	164.26	148.97	133.68	118.42	103.24

Particulars	Year-8	Year-9	Year-10	Year-11	Year-12	Year-13	Year-14
Interest on Loan	88.14	73.04	57.94	42.85	27.78	17.94	13.34

Particulars	Year-15	Year-16	Year-17	Year-18	Year-19	Year-20	Year-21
Interest on Loan	8.74	4.14	0.92	-	-	-	-

Particulars	Year-22	Year-23	Year-24	Year-25	Year-26	Year-27	Year-28
Interest on Loan	-	-	-	-	-	-	-

Particulars	Year-29	Year-30	Year-31	Year-32	Year-33	Year-34	Year-35
Interest on Loan	-	-	-	-	-	-	-

Return on Equity

2.55 That Regulation 20 of the HERC Tariff Regulations specifies as under:

"20. Return on Equity

20.1. RoE for generation transmission and distribution, shall be allowed, after adding a premium over the "Base Rate (BR)" based on the performance (both financial as well as operational parameters) of the power utilities, subject to a cap as under: -

(a) Hydro Generators: BR + 6.5% = up to 13 %

Provided that the HEP with pondage or pump storage (PSP) will be eligible for an additional 1% RoE.

(b) Generators other than Hydro: BR + 5.5% = up to 12%

(c) Distribution Business: BR +7.5% = up to 14%

(d) Transmission Business: BR + 4.5% = up to 11%.

Provided that the Base Rate (BR) in these Regulations shall be construed as last 2 years average rate (as on 1st April of the relevant financial year) of 10 years Government of India bond.

Provided, that the RoE for generation, transmission and distribution businesses, shall be allowed, after adding a premium over the "Base Rate (BR)".

Provided further that RoE shall not exceed 14% in any case. SLDC business shall not be eligible for RoE.

Provided where the tariff is determined for the entire useful life of the project the RoE allowed shall not be normally re-visited during the entire tariff period. Hence, the same shall be determined at 13% with additional 1% for HEPs with pond age or pump storage (PSP) and 12% for generators other than HEPs.

***20.2.** Return on equity shall be allowed on equity employed in assets in use considering the following and subject to Regulation 20.1 above:*

i. Equity employed in accordance with Regulation 19.1 and 19.2 on assets (in use) commissioned prior to the beginning of the year; plus

ii. 50% of equity capital portion of the allowable capital cost for the assets put to use during the year.

Provided that for the purpose of truing up, return on equity shall be allowed from the COD on pro-rata basis based on documentary evidence provided for the assets put to commercial operation during the year.

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

***20.3.** Return on equity invested in work in progress shall be allowed from the actual date of commercial operation of the assets.*

***20.4.** There shall be no Return on Equity for the equity component above 30%.*

2.56 That Return on Equity in accordance with the provisions of the HERC Tariff Regulations, 2024 is summarized in the table below:

Sl. No.	Particulars	Year 1 to Year 35
1	Return on Equity	Rs. 119.70 crore p.a.

Operation and Maintenance Expenses

2.57 That Regulation 35.4 of the HERC Tariff Regulations, 2024 specifies as under:

"35.4. Operation and Maintenance Expenses for Hydro Power Plant

(a) The Operation and Maintenance expenses including insurance shall be derived on the basis of the average of the actual Operation and Maintenance expenses for the three (3) years ending March 31,2025, subject to prudence check by the Commission.

(b) In case of the hydro generating stations declared under commercial operation on or after 1.4.2025, operation and maintenance expenses of first year shall be fixed at 3.5% and 5.0% of the original project cost (excluding cost of rehabilitation & resettlement works, IDC and IEDC) for stations with installed capacity exceeding 200 MW and for stations with installed capacity less than 200 MW, respectively.

(c) In case of hydro generating stations, which have not completed a period of three years as on 1.4.2025, operation and maintenance expenses for 2025-26 shall be worked out by applying escalation rate of 5.47% on the applicable operation and maintenance expenses as on 31.3.2024. The operation and maintenance expenses for subsequent years of the tariff period shall be worked out by applying escalation rate of 5.47% per annum."

2.58 That in accordance with the provisions of Regulation 35.4 (b) of the HERC Tariff Regulations, the Petitioner has considered base cost of Rs. 2,375.57 Crore, as elaborated in the table below:

Sl.No.	Particulars	Rs. Crore
1	Capital Cost	2,849.94
2	Less: IDC	- 466.69
3	Less: Rehabilitation and Resettlement Works	- 7.68
4	Base Capital Cost	2,375.57

2.59 That the Petitioner has considered O&M expenses at 3.5% of the Base Capital Cost as worked out in the table above. Accordingly, the Petitioner has computed O&M expenditure as shown in the table below:

Sl.No.	Particulars	Rs. Crore
1	Base Capital Cost	2,375.57
2	Normative O&M Expenses (%)	3.50%
3	**O&M Expenses**	**83.14**

2.60 That O&M expenses as per provisions of HERC Tariff Regulations, and summarized in the table below:

Rs. Crore

Particulars	Year-1	Year-2	Year-3	Year-4	Year-5	Year-6	Year-7
Normative O&M Expenses	83.14	87.69	92.49	97.55	102.88	08.51	14.45

Particulars	Year-8	Year-9	Year-10	Year-11	Year-12	Year-13	Year-14
Normative O&M Expenses	120.71	27.31	134.28	141.62	149.37	157.54	166.15

Particulars	Year-15	Year-16	Year-17	Year-18	Year-19	Year-20	Year-21
Normative O&M Expenses	175.24	184.83	194.94	205.60	216.85	228.71	241.22

Particulars	Year-22	Year-23	Year-24	Year-25	Year-26	Year-27	Year-28
Normative O&M Expenses	254.42	268.33	283.01	298.49	314.82	332.04	350.20

Particulars	Year-29	Year-30	Year-31	Year-32	Year-33	Year-34	Year-35
Normative O&M Expenses	369.36	389.56	410.87	433.34	457.05	482.05	508.42

Interest on Working Capital

2.61 That Regulation 22.1 of the HERC Tariff Regulations, 2024 specifies as under:

"22. INTEREST ON WORKING CAPITAL

…..

…..

III. Hydro Generating Station (including Pumped Storage Hydro Generating Station) and Transmission System: -

(a) Receivables equivalent to 1 month of annual fixed cost;

(b) Maintenance spares @ 15% of operation and maintenance expenses including security expenses; and

(c) Operation and maintenance expenses, including security expenses for one month

Provided that Interest on Working Capital for generators shall be allowed on the basis of average PLF / CUF in the preceding 3 years.

Provided further that True up of the interest on working capital shall be limited to the actual interest on working capital.

2.62 That Regulation 22.2 of the HERC Tariff Regulations, 2024 specifies as under:

"22.2 Rate of Interest

Rate of interest on working capital shall be equal to the MCLR of the relevant financial year plus a maximum of 150 basis points. However, while claiming any spread, the *generator and the licensees shall submit loan sanction letter from the banks/ lending institutions, indicating the applicable rate of interest.*

For the purpose of truing up, the actual weighted average Rate of Interest will be considered on the normative working capital by the Commission, subject to the ceiling margin as indicated above."

2.63 That the Petitioner has computed Interest on Working Capital as per the provisions of HERC Tariff Regulations, as summarized in the table below:

Rs. Crore

Particulars	Year-1	Year-2	Year-3	Year-4	Year-5	Year-6	Year-7
Interest on Working Capital	6.92	6.94	6.96	7.00	7.04	7.09	7.14

Particulars	Year-8	Year-9	Year-10	Year-11	Year-12	Year-13	Year-14
Interest on Working Capital	7.21	7.30	7.39	7.50	7.62	6.92	7.16

Particulars	Year-15	Year-16	Year-17	Year-18	Year-19	Year-20	Year-21
Interest on Working Capital	7.42	7.69	7.99	8.33	8.69	9.08	9.48

Particulars	Year-22	Year-23	Year-24	Year-25	Year-26	Year-27	Year-28
Interest on Working Capital	9.91	10.36	10.84	11.34	11.87	12.43	13.02

Particulars	Year-29	Year-30	Year-31	Year-32	Year-33	Year-34	Year-35
Interest on Working Capital	13.64	14.29	14.98	15.71	16.48	17.29	18.15

Income Tax

2.64 That Regulation 25 of the HERC Tariff Regulations specifies as under:

"25. Income Tax

Income tax / MAT, if any, on the income stream of the generating company or the licensee (transmission, distribution) shall be treated as an expense or a pass-through component in the tariff on actual basis limited to the RoE component only."

2.65 That for the purpose of computation of tariff, the Petitioner has considered the applicable tax rate as per prevailing Taxation Laws. Accordingly, the Petitioner has computed income tax as per the provisions of Regulation 25 as under:

Rs. Crore

Sl.No.	Particulars	Income Tax from Year-1 to Year-35
1	Return on Equity	119.70
2	Applicable tax rate (%)	25.17%
3	**Income Tax**	**30.13**

Annual Fixed Cost

2.66 That Regulation 35 of the HERC Tariff Regulations, 2024 specifies the components of Tariff for Generation Business as under:

"35 NORMS OF OPERATION AND DETERMINATION OF TARIFF FOR HYDRO POWER PLANTS

Norms of operation and determination of tariff for hydro power plants other than those covered under renewable energy sources, shall be as under: -

35.1. The tariff for sale of electricity from a Hydro Generating Station shall comprise of two parts, namely, the Capacity Charge and Energy Charge.

35.2. Annual Fixed Charges:

The Annual Fixed Charges shall comprise of the following elements:

(a) Depreciation;

(b) Interest and Finance Charges on Loan Capital;

(c) interest on Working Capital;

(d) Operation & Maintenance Expenses;

(e) Return on Equity;

(f) Special allowance in lieu of Renovation & Modernization, wherever applicable;

(g) SLDC s and Charges minus:

(h) Non-Tariff income:

Provided that Depreciation, interest and finance charges on Loan Capital, Interest on Working Capital and Return on Equity for Hydro Generating Stations shall be allowed in accordance with the provisions specified in these Regulations:

Provided further that prior period income/expenses shall be allowed by the Commission at the time of truing up based on audited accounts, on a case to case basis, subject to prudence check.

2.67 That in view of the detailed justification of each component which comprises Annual Fixed Charges as per Regulation 35 of HERC Tariff Regulations, 2024, the Petitioner has computed Annual Fixed Charges as under:

(Rs. Crore)

Sl.No.	Particulars	Year-1	Year-2	Year-3	Year-4	Year-5	Year-6	Year-7
1	Depreciation	150.64	150.64	150.64	150.64	150.64	150.22	148.79
2	Interest on Loan	194.84	179.55	164.26	148.97	133.68	118.42	103.24
3	Interest on WC	6.92	6.94	6.96	7.00	7.04	7.09	7.14
4	Return on Equity	119.70	119.70	119.70	119.70	119.70	119.70	119.70
5	O&M Expenses	83.14	87.69	92.49	97.55	102.88	108.51	114.45
6	Income Tax	30.13	30.13	30.13	30.13	30.13	30.13	30.13
7	**Annual Fixed Charges**	585.37	574.65	564.18	553.98	544.07	534.06	523.44

Sl.No.	Particulars	Year-8	Year-9	Year-10	Year-11	Year-12	Year-13	Year-14
1	Depreciation	148.79	148.79	148.79	148.50	148.50	45.32	45.32
2	Interest on Loan	88.14	73.04	57.94	42.85	27.78	17.94	13.34
3	Interest on WC	7.21	7.30	7.39	7.50	7.62	6.92	7.16
4	Return on Equity	119.70	119.70	119.70	119.70	119.70	119.70	119.70
5	O&M Expenses	120.71	127.31	134.28	141.62	149.37	157.54	166.15
6	Income Tax	30.13	30.13	30.13	30.13	30.13	30.13	30.13
7	**Annual Fixed Charges**	514.67	506.26	498.22	490.29	483.09	377.54	381.80

Sl.No.	Particulars	Year-15	Year-16	Year-17	Year-18	Year-19	Year-20	Year-21
1	Depreciation	45.32	45.32	45.32	45.32	May-44	May-45	May-46
2	Interest on Loan	8.74	4.14	0.92	-	45.32	45.32	45.32
3	Interest on WC	7.42	7.69	7.99	8.33	-	-	-
4	Return on Equity	119.70	119.70	119.70	119.70	8.69	9.08	9.48
5	O&M Expenses	175.24	184.83	194.94	205.60	119.70	119.70	119.70
6	Income Tax	30.13	30.13	30.13	30.13	216.85	228.71	241.22
7	**Annual Fixed Charges**	386.55	391.80	398.99	409.07	30.13	30.13	30.13

Sl.No.	Particulars	Year-22	Year-23	Year-24	Year-25	Year-26	Year-27	Year-28
1	Depreciation	45.32	45.32	45.32	45.32	45.32	45.32	45.32
2	Interest on Loan	-	-	-	-	-	-	-
3	Interest on WC	9.91	10.36	10.84	11.34	11.87	12.43	13.02
4	Return on Equity	119.70	119.70	119.70	119.70	119.70	119.70	119.70
5	O&M Expenses	254.42	268.33	283.01	298.49	314.82	332.04	350.20
6	Income Tax	30.13	30.13	30.13	30.13	30.13	30.13	30.13
7	**Annual Fixed Charges**	459.47	473.84	488.99	504.97	521.83	539.61	558.36

Sl.No.	Particulars	Year-29	Year-30	Year-31	Year-32	Year-33	Year-34	Year-35
1	Depreciation	45.32	45.32	45.32	45.32	45.32	45.32	45.32
2	Interest on Loan	-	-	-	-	-	-	-
3	Interest on WC	13.64	14.29	14.98	15.71	16.48	17.29	18.15
4	Return on Equity	119.70	119.70	119.70	119.70	119.70	119.70	119.70
5	O&M Expenses	369.36	389.56	410.87	433.34	457.05	482.05	508.42
6	Income Tax	30.13	30.13	30.13	30.13	30.13	30.13	30.13
7	**Annual Fixed Charges**	578.14	598.99	620.99	644.20	668.67	694.48	721.70

Capacity Charge and Energy Charge

2.68 That Regulations 35 of the HERC Tariff Regulations, 2024 specify that the Annual Fixed Charges for a Hydro Generating Station shall be computed on annual basis, based on the norms specified under the HERC Tariff Regulations and recovered on monthly basis under capacity charge and energy charge.

2.69 That Net saleable Design Energy is computed as shown in the table below:

Particulars	First 12 years	13th to 30th year	After 30th year
Design Energy (MU)	954.70	954.70	954.70
Less: Auxiliary Consumption @ 1.20%(MU)	11.46	11.46	11.46
Net Design Energy after Auxiliary Consumption (MU)	943.24	943.24	943.24
Less: Free Power (MU)	-	17.14%	17.14%
Net Design Energy (MU)	943.24	781.57	781.57
Saleable Design Energy (MU)	943.24	781.57	781.57

2.70 That the Petitioner requests the Hon'ble Commission to approve the capacity charge as well as energy charge as summarized in the following table:

Rs. Crore

Sl.No.	Particulars	Year-1	Year-2	Year-3	Year-4	Year-5	Year-6	Year-7
1	Annual Fixed Costs	585.37	574.65	564.18	553.98	544.07	534.06	523.44
2	Saleable Design Energy (MU)	943.24	943.24	943.24	943.24	943.24	943.24	943.24
3	50% Capacity Charges	292.69	287.32	282.09	276.99	272.04	267.03	261.72
4	50% Energy Charges	292.69	287.32	282.09	276.99	272.04	267.03	261.72
5	Energy Charge Rate (Rs./kWh)	3.10	3.05	2.99	2.94	2.88	2.83	2.77

Sl.No.	Particulars	Year-8	Year-9	Year-10	Year-11	Year-12	Year-13	Year-14
1	Annual Fixed Costs	514.67	506.26	498.22	490.29	483.09	377.54	381.80
2	Saleable Design Energy (MU)	943.24	943.24	943.24	943.24	943.24	781.57	781.57
3	50% Capacity Charges	257.34	253.13	249.11	245.15	241.55	188.77	190.90
4	50% Energy Charges	257.34	253.13	249.11	245.15	241.55	188.77	190.90
5	**Energy Charge Rate (Rs./kWh)**	2.73	2.68	2.64	2.60	2.56	2.42	2.44

Sl.No.	Particulars	Year-15	Year-16	Year-17	Year-18	Year-19	Year-20	Year-21
1	Annual Fixed Costs	386.55	391.80	398.99	409.07	420.68	432.93	445.85
2	Saleable Design Energy (MU)	781.57	781.57	781.57	781.57	781.57	781.57	781.57
3	50% Capacity Charges	193.27	195.90	199.50	204.54	210.34	216.47	222.92
4	50% Energy Charges	193.27	195.90	199.50	204.54	210.34	216.47	222.92
5	**Energy Charge Rate (Rs./kWh)**	2.47	2.51	2.55	2.62	2.69	2.77	2.85

Sl.No.	Particulars	Year-22	Year-23	Year-24	Year-25	Year-26	Year-27	Year-28
1	Annual Fixed Costs	459.47	473.84	488.99	504.97	521.83	539.61	558.36

2	Saleable Design Energy (MU)	781.57	781.57	781.57	781.57	781.57	781.57	781.57
3	50% Capacity Charges	229.73	236.92	244.49	252.49	260.91	269.80	279.18
4	50% Energy Charges	229.73	236.92	244.49	252.49	260.91	269.80	279.18
5	**Energy Charge Rate (Rs./kWh)**	2.94	3.03	3.13	3.23	3.34	3.45	3.57

Sl.No.	Particulars	Year-29	Year-30	Year-31	Year-32	Year-33	Year-34	Year-35
1	Annual Fixed Costs	578.14	598.99	620.99	644.20	668.67	694.48	721.70
2	Saleable Design Energy (MU)	781.57	781.57	781.57	781.57	781.57	781.57	781.57
3	50% Capacity Charges	289.07	299.50	310.50	322.10	334.33	347.24	360.85
4	50% Energy Charges	289.07	299.50	310.50	322.10	334.33	347.24	360.85
5	**Energy Charge Rate (Rs./kWh)**	3.70	3.83	3.97	4.12	4.28	4.44	4.62

Shortfall in Design Energy

2.71 That Regulation 35.5.4 of the HERC Tariff Regulations 2024 specifies as under:

"*35.5 Capacity Charge and Energy Charge for Hydro Power Plants:*

….

4. In case actual total energy generated by a Hydro Generating Station during a year is less than the Design Energy for reasons beyond the control of the Generating Company, the following treatment shall be applied on a rolling basis:

(i) in case the energy shortfall occurs within ten years from the date of commercial operation of a generating station, the ECR for the year following the year of energy shortfall shall be computed based on the formula specified in these Regulations with the modification that the DE for the year shall be considered as equal to the actual energy generated during the year of the shortfall, till the Energy Charge shortfall of the previous year has been made up, after which normal ECR shall be applicable;

(ii) in case the energy shortfall occurs after ten years from the date of commercial operation of a generating station, the following shall apply: -

Suppose the specified annual Design Energy (DE) for the station is DE MWh, and the actual energy generated during the relevant (first) and the following (second) financial years are Al andA2MWh, respectively, Al being less than DE, then the Design Energy to be considered in the formula in these Regulations for calculating the ECR for the third financial year shall be moderated as (A1 + A2 - DE) MWh, subject to a maximum of DE MWh and a minimum of Al MWh;

…."

2.72 That the Petitioner has illustrated the computed capacity and energy charges spread over a 35-year period. Further, in case a shortfall is observed in the actual energy generated from the saleable design energy, the energy charge rate may be revised as per the above-mentioned Regulation.

Secondary energy

2.73 That Regulation 35.5.4 (iii) of the HERC Tariff Regulations 2024 specifies as under:

"*35.5 Capacity Charge and Energy Charge for Hydro Power Plants:*

….

4 (iii) Actual energy generated (e.g., Al, A2) shall be arrived at by multiplying the net metered energy sent out from the station by 100 / (100 - AUX).

In case the energy scheduled, in any month, exceeds design energy, such secondary energy, if scheduled by the beneficiary, shall be billed at Rs. 0.90 / kWh.

…."

2.74 That the Petitioner would like to pray to the Hon'ble Commission that, in case of secondary energy being generated, the billing of the same may be governed by the above-mentioned Regulation.

Levelized Tariff

2.75 That the Electricity Act, 2003 as well as the National Tariff Policy, 2016, vest in the Hon'ble Commission, the responsibility to balance the interest of the consumers with the interest of the project developers while regulating the tariff of the generating companies. Section 61 of the Electricity Act, 2003 specifies as under:

"The Appropriate Commission shall, subject to the provisions of this Act, specify the terms and conditions for the determination of tariff, and in doing so, shall be guided by the following, namely: -

….

(d) safeguarding of consumers' interest and at the same time, recovery of the cost of electricity in a reasonable manner"

2.76 That the financial viability of the generating stations is an important consideration to enable them to continue to supply power to the consumers. Lack of cost reflective tariffs have far reaching consequences on the economy as a whole as it leads to higher defaults by the project developers on their debt obligations thereby increasing a system risk in the Banking sector consequently impacting the economic growth.

2.77 That a project specific tariff determined under the provisions of Section 61 and 62 of the Act shall result in a levelized tariff spread over the term of the PPA. In a levelized tariff regime, the yearly tariff trajectory typically follows a 'S' curve, in which the tariff, in the initial years of plant operation is higher than the levelized tariff. Subsequently, as the debt gets repaid coupled with decrease in depreciation costs, the yearly tariff shows a decreasing trend and the annual tariffs are lower than the levelized tariff. However, after entire debt gets repaid (typically in 12-13 years), the tariff typically shows an increasing trend due to increase in O&M expenses. Owing to this 'S'-curve trajectory of the annual tariffs, the tariff for each financial year may go above, or go down, vis-à-vis the levelized tariff, but the financial impact upon the generator as well as the procurer remains the same as the levelized tariff over the life of the plant or the term of the PPA.

2.78 Hence, in order to allow full recovery of the costs of the Petitioner, the Hon'ble Commission is humbly requested to allow recovery of levelized tariff of Rs. 5.74/kWh as computed by the Petitioner.

CHANGE IN LAW

2.79 That the Petitioner has signed a SIA dt 26.11.2018 with the GoHP for the deferment in free power in accordance with the notification dated 15.5.2018. The said agreement is subsisting as on date, though the GoHP vide notification dt 12.12.2023 has deleted the provision for deferment of free power. The Petitioner has not received any communication from the GoHP regarding the non- availability of this benefit. However, in the unlikely event that such notice is received and the benefit for deferment of free power is taken away, the Petitioner shall approach this Hon'ble commission for appropriate relief. Estimated impact on the levelised tariff would be Rs. 0.43/kWh arising from this Change in Law event.

2.80 That Government of Himachal Pradesh has notified Himachal Pradesh Mineral Policy 2024 dt. 29.2.2024 wherein new provisions have been introduced regarding the Royalty on Minor minerals. Clause 14 of the said 2024 policy is reproduced herein below for ready reference:

14. Processing charges:

While allowing the permission to use the ***minor mineral*** *generated during construction of hydel projects, tunnels, roads, bridges, water supply schemes, reservoirs, railway lines, other infrastructure of public importance and development activities as specified* *in Rule-33 of ibid Rules, the department has to complete the entire process as required in the cases of grant of mineral concessions like processing of the application, joint inspection of the material etc. Hence, while allowing such permission, **an additional processing charge equivalent to 75% of royalty payable on every tonne of mineral** produced shall be realized from the permission holders*

The Royalty rates prescribed under schedule II of the Himachal Pradesh Minor Minerals (Concession) and Minerals (Prevention of Illegal Mining, Transportation and Storage) Rules, 2015, were amended on 10.2.2022 vide its 3rd amendment. Now the government has introduced additional levy of processing charges in terms of Clause 14 of the notified Himachal Pradesh Mineral Policy 2024. Estimated impact on the levelised tariff would be Rs. 0.01/kWh arising from this 2nd Change in Law event.

2.81 That the Petitioner draws attention of this Hon'ble Commission to clause 11.2 of the PPA which stipulates as under:

11.2 Tariff Adjustment for Change in Law.

11.2.1 The Parties acknowledge and agree that if a Change in Law results in the Company costs or revenue directly attributable to the Project being decreased or increased, the Tariff Payment payable by Purchaser to the Company shall be adjusted accordingly after the approval of the Commission subject to the provisions of Clause 9.1.2.

11.2.2 In the event of Change in Law, Company being obligated to issue such notice not later than six (6) months after the date of notification of such Change in Law.

11.2.2.1 Purchaser shall notify in writing its consent to or disagreement with such notice to Company within a period of fifteen (15) days of receipt of such notice from Company. If the Purchaser does not respond within such fifteen (15) day period then the Purchaser shall have deemed to have agreed with such request for Change in Law Tariff adjustment.

11.2.2.2 The Purchaser may also issue a notice to Company for claiming a Change in Law under this Clause after it becomes aware of Change in Law event, but not later than six (6) months after the date of notification of such Change in Law. In the event the Change in Law notice is issued by the Purchaser to Company, Company shall notify in writing its consent to or disagreement with such notice to the Purchaser within a period of forty-five (45) days in receipt of such notice after duly consulting and receiving a written consent or disagreement from Company and in accordance with the same.

11.2.2.3 A Change in Law notice issued by any Party must, inter alia, contain:

i. precise details of the applicable Change in Law;

ii. the estimated impact of such applicable Change in Law;

iii. the estimated Tariff adjustment; and

iv. all documents and calculations in support of Change in Law claim."

2.82 That the Petitioner, vide its letters dated 17.01.2024 & 4.7.2024 intimated the HPPC about the aforesaid Government of Himachal Pradesh notifications dated 12.12.2023 (for withdrawal of deferment of free power) & 29.2.2024 (for increase in royalty charges) respectively and issued notice for Change in Law in accordance with Clause 11.2.2 of the PPA.

Since no reply from purchaser has been received by Petitioner, it is deemed to be accepted by the purchaser, in terms of clause 11.2.2.1 of the PPA.

Thus, the Petitioner humbly requests the Hon'ble Commission that it may consider the Government of Himachal Pradesh notifications dated 12.12.2023 & 29.2.2024 as a Change in Law event.

2.83 That the following prayers have been made:-

a) Examine the proposal submitted by the Petitioner for a favorable consideration as detailed in the enclosed Petition, along with any clarifications submitted in this regard;

b) Approve the capital cost of Rs. 2,850 Crore towards determination of tariff for Kutehr HEP;

c) Allow the Petitioner to approach the Hon'ble Commission for approval of additional capitalization post COD of the project;

d) Approve levelized tariff of Rs. 5.74/kWh as submitted by the Petitioner;

e) In case of secondary energy generated, the billing of the same may be governed by the HERC Tariff Regulations 2024;

f) Declare Government of Himachal Pradesh notifications dated 12.12.2023 & 29.2.2024 as a Change and Law event and allow suitable adjustment in tariff;

g) Allow reimbursement of filing fees of this Petition, expenses incurred on publication of Notices in the newspapers, charges of SLDC and legal fees on actual basis as and when incurred;

h) Condone any inadvertent omissions/errors/shortcomings and permit the Petitioner to make further submissions as may be required at a future date to support this Petition in terms of modification/clarification;

i) Pass such further Orders as the Hon'ble Commission may deem fit and proper, keeping in view of the facts and circumstances of the case;

Proceedings of the Case

3. The case was initially heard on 21.05.2025. The Commission, vide its Interim Order dated 22.05.2025, allowed the respondent to file their reply and the petitioner was allowed to file its rejoinder on the same.

4. Reply filed by Respondent (HPPC): -

HPPC filed its reply dated 21.05.2025, submitting as under: -

A. PRESNET PETITION IS PRE-MATURE AND DEVOID OF COMPLETE DETAILS: -

4.1 That Kutehr HEP has 3 units of 80 MW each with total capacity of 240 MW. Admittedly, the units have not attained COD till date. In fact, the Performance/Capacity Test of the Units has to be conducted in presence of the representative of the Respondent in terms of Clause 6.2 of the PPA. Further, as per Clause 6.3 of the PPA, the tested capacity of the Unit has to be evaluated vis-à-vis the rated capacity. In the event the tested capacity is found lesser that the rated capacity, the capital cost has to be reduced on pro-rata basis and the tariff payable has to be determined accordingly. As on today, there is no intimation as regards the readiness of the units for the Performance Tests. Para 2.4 of the Petition mentions the anticipated COD date of various units, which as a matter of fact, could not be adhered to. Moreover, it is the own stand of the Petitioner that the amounts to be expended on setting up and commissioning of units are underway. In view thereof, the present petition is admittedly premature and needs to be deferred until the COD of the project.

4.2 That the present Petition is devoid of requisite details and documentation to assess various parameters for determination of tariff. The alleged Capital Cost of Rs. 2186.20 Crore is admittedly anticipated cost and the final expenditure is yet to be ascertained. Furthermore, the alleged figures are not supported by cogent evidence such as copies of invoices, proof of payment, CA certificate, complete audited balance sheets, bank statements as regards loan utilization and proof of equity contribution etc. Without such details, the tariff determination can only be tentative thereby necessitating re-determination/review of the tariff, thereby making the instant exercise of tariff determination futile. In view thereof, the present Petition is pre-mature and shall be deferred for want of complete documentation and details to be submitted by the Petitioner after the COD of the Project.

4.3 That it is relevant here to refer to the order of Keral State Electricity Regulatory Commission dated 20.08.2018 in O.A. No. 13 of 2018 in a petition filed by M/s Anakkampoil Power Private Limited for determination of project specific tariff of Hydro Project. KSERC in the said order observed that since the project has not commissioned, it is difficult to appraise the prudency of the capital cost estimated by the petitioner, without the details of the actual cost incurred on the project. Observing the same, the Commission disposed off the petition while stating that the tariff shall be determined after the project achieves COD.

That without prejudice to foregoing objection as regards the tenability of the instant petition in its present form, the Respondent sets out hereunder composite submissions on various parameters claimed by the Petitioner. At this stage, the para-wise reply is not being made as the present petition lacks substantial details and there are objections as regards the tenability of the petition in its present form. The objections/submissions made hereunder shall effectively address the salient claims raised by the Petitioner and required to be considered at the outset. Even the facts mentioned in the petition are a subject matter of verification, which cannot be commented upon unless the complete details are provided and the Respondent witnesses the commissioning of the project. However, if the Hon'ble Commission deems it appropriate and observes that a para-wise reply be filed by the Respondent, the Respondent shall immediately do so in a reasonable time.

B. THE TARIFF DETERMINATION SHALL BE MADE FOR A PERIOD OF 40 YEARS AS AGAINST THE CLAIMED PERIOD OF 35 YEARS -

4.4 That the Petitioner has entered into an Implementation Agreement dated 04.03.2018 with Government of Himachal Pradesh. As per Clause 3 of the Implementation Agreement, the Agreement shall remain in force up to a period of 40 years from the Scheduled Commercial Date of the Project. Meaning thereby, the project of the Petitioner shall have useful power supply life of 40 years. The Petitioner, however, has computed the tariff considering the term of the PPA as 35 years only. The tariff should allow recovery of capital cost spanned over the useful life of the project. In the event the tariff determination is made considering 35 years of useful life, the entire revenue earned by the plant from 35th year onwards shall be profit resulting in unjust enrichment. As such, the tariff determination shall be made considering the life of the project as 40 years and the levelized tariff for the PPA of the Respondent shall be calculated separately.

C. CAPITAL COST CLAIMED BY THE PETITIONER IS EXORBITANT AND NOT SUPPORTED BY COGENT EVIDENCE ON RECORD -

4.5 Capital cost incurred by a generating company in the Power Project is one of the essential parameters to be taken into consideration while determining project specific tariff. The determination of other parameters also is contingent upon determination of Capital Cost. It is therefore imperative that the claimed capital Cost is duly supported by cogent evidence and thoroughly subjected to prudence check. Regulation 18 of the Haryana Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff for Generation, Transmission, Wheeling and Distribution & Retail Supply under Multi Year Tariff Framework) Regulations, 2024 (‘*MYT Regulations,2024*’) specify principles for determination of Capital Cost for a generating station. In the instant matter, as stated above, the complete expenditure is yet to be accounted for and the units are still to be commissioned. Clause 9.1.4 of the PPA provides conditions for consideration of capital cost for determination of tariff and reads as under-

“9.1.4. The company has agreed that the Capital Cost for the purpose of tariff determination shall be restricted to completed cost excluding cost overrun, being cost overrun shall be to the account of Company.

The Company agrees that any increase in IDC, pre-operative expenses or other such expenses included in the capital cost vis-à-vis financial closure report of the lenders engineer, included in the capital cost incurred by the Company due to delay in COD for the reasons solely attributable to the Company shall not be claimed the company as part of the capital cost in the tariff petition to be filed before the commission.

The Company agrees that the cost of free power to the project State over and above that allowed as per Govt. of India notification shall be borne by the generator duly considering the deferment of free power for the initial 12 years as per the Supplementary Implementation Agreement dated 26.11.2018.”

4.6 That the Petitioner has provided year-wise breakup of the expected Capital Cost, however, the same is not substantiated. The Petitioner has claimed total project cost as Rs. 2849.94 crores, out of which Rs. 2248.58 crores have been claimed to have been expended as on 31.03.2024. The only evidence appended in support is the audited financial statement for the year ending March, 2024. A perusal of the said financial statements also does not reflect a clear expenditure of Rs. 2248.58 crores. The capital work in progress, as is reflected in the Balance Sheet appended on page 362 of the petition amounts to Rs. 1867 crores. It is further not explained as to what the components are included in the capital work in progress. There are no proofs of expenditure and CA certificate accompanying the petition so as to substantiate the capital cost. In absence of complete explanation/justification as regards the expected project cost considered by the Petitioner and the supporting documentation, no capital cost can be determined by the Hon'ble Commission. Further, the capital cost has to be considered based on the tested capacity, as is refereed above. The Petitioner shall therefore, be directed to submit complete documentation and explanation of the figures claimed post the commissioning of the units.

4.7 That the breakup of the capital cost provided by the Petitioner in Form: F-2 failed to explain the inclusions in the specific components and rationale for consideration of projected expenditure under such components. For instance, the Petitioner has assumed expected cost under the head 'Overheads, Establishment and Communication etc.' till May 2025 as Rs. 372.20 crores. Needless to state, there is no rationale in assuming such exorbitant cost towards overheads towards the fag end of the development of the project. Further, in the total project cost, a contingency reserve of Rs. 46 crores have been included, which shall not form part of the capital cost. Also, a component namely 'LADA Cost' has been considered as Rs. 42.74 crores, for which no explanation has been provided thereby rendering the Respondent unable to comment upon the same. In light of the foregoing, the capital cost cannot be ascertained with exactitude at this stage. The determination of the various other parameters of the tariff determination are contingent upon capital cost and as such, the present petition is pre-mature and untenable in its present form.

4.8 That Regulation 18(5) of MYT Regulations, 2024 lists down certain exclusions from the capital cost, as mentioned hereunder-

The assets forming part of the project, but not in use;

(b) Decapitalization of Asset;

(c) In case of hydro generating station, any expenditure incurred or committed to be incurred by a project developer for getting the project site allotted by the State government by following a two-stage transparent process of bidding; and

(d) the proportionate cost of land which is being used for generating power from generating station based on renewable energy:

Provided that any grant received from the Central or State Government or any statutory body or authority for the execution of the project which does not carry any liability of repayment shall be excluded from the Capital Cost for the purpose of computation of interest on loan, return on equity and depreciation;

The significance of considering the cost of the project specific to the power generation and limited to assets being utilized for the same has been spelled out explicitly in the MYT Regulations, 2024. It is incumbent upon the Petitioner to certify that the cost considered is exclusive for the generation of power to be supplied to the Respondent.

4.9 That the alleged claim in escalation of capital cost due to any force majeure event has to be dealt with in terms of Article 10 of the PPA. Article 10 of the PPA also mandates notification of such force majeure events and the duty to mitigate. No details of any financial impact have been communicated ever by the Petitioner to the Respondent. The same cannot be passed through the tariff and therefore, the break-up of capital expenditure along with documentation has to be provided threadbare to enable prudence check by the Hon'ble Commission. The Petitioner is therefore, is obligated to clearly specify any such cost being included in the total project cost and the steps taken by them to mitigate the same. A vague reference has been made by the Petitioner, as regards alleged force majeure events, in para 1.1.7 of the petition. However, no relevance or impact of the same on the expected project cost has been explained. The Respondent reserves the right to comment upon the same after the adequate details are provided by the Petitioner.

4.10 That as per Clause 6.7.2 of the PPA, the payment made to the Petitioner for the infirm power prior to COD of the project has to be reduced from the Capital Cost. Clause 6.7.2 of the PPA is reproduced hereunder for ready reference –

"6.7.2. The Purchaser shall pay to company, for the infirm Power Generated by a Unit and to the extent sold to the purchaser at a tariff i.e. 50% of APPC as determined by HERC. Further, any power delivered by the Company to Haryana prior to COD of the

project will be paid at a tariff i.e. 50% of APPC as determined by HERC. Payment against each monthly invoice should be made as per the due date as mentioned in PPA. The Capital Cost shall however be reduced by an amount equal to the total amount of bill (s) paid by purchaser for infirm energy and energy delivered by the company before the COD of the project."

In view of the foregoing provision, it is imperative that the tariff determination shall be done post the declaration of COD so as to avoid review/truing up of the tariff and subsequent filing of petitions in this regard. In that view, the present Petition shall be deferred for want to complete details until the declaration of COD of the project.

4.11 That as per clause 9.1.4 of the PPA, the cost of free power to the State of Himachal Pradesh over and above that allowed as per Govt. of India notification has to be borne by the Petitioner duly considering the deferment of free power for the initial 12 years as per the Supplementary Implementation Agreement dated 26.11.2018. In view thereof, any claim of the Petitioner as regards the supply of free power to the home state has to be considered in light of the terms of the PPA.

D. DEPRECIATION SHALL BE APPLIED ON THE VERIFIED VALUE OF THE ASSETS EXCLUSIVELY USED FOR THE PROJECT AFTER DEDUCTION OF SALVAGE VALUE -

4.12 That the Petitioner has considered depreciation for the entire capital cost over the term of the PPA i.e. 35 years. The said assumption is contrary to the Regulation 23 of the HERC MYT Regulations, 2024, which reads as under-

"23. DEPRECIATION

For the purpose of tariff determination, the depreciation shall be calculated in the following manner: -

(a) The value base of asset shall be the historical capital cost of the asset as admitted by the Commission. The historical capital cost shall include additional capitalization including foreign exchange rate variation, if any already allowed by the Commission up to 31st March of the relevant year.

(b) The residual 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 the salvage value for IT equipment and software shall be considered as NIL and 100% value of the assets shall be considered depreciable.

(c) Depreciation shall be calculated annually over the useful life of the asset at the rates specified in Appendix I up to 31st March of the 12th year from the date of commercial operation of the asset. From 1st April of 13th year from the commercial date of operation of the asset, the remaining depreciable value if any out of the 90% of the capital cost of the asset shall be equally spread over

the balance useful life of the asset.

The deprecation rates given in Appendix-I will be applicable w.e.f. 1.04.2025 only. The depreciation, in case of existing assets, up to 31.03.2025 shall be considered as already allowed and shall not be re– visited.

Provided that the rate provided in Appendix I, are the upper ceiling of the rate of depreciation to be provided up to 12th year from the date of COD and the developer shall have the option of indicating, while seeking approval for tariff, lower rate of depreciation, subject to the aforesaid ceiling.

(d) Land shall not be considered as a depreciable asset and cost shall be excluded from the capital cost while computing depreciable value of asset.

(e) Depreciation shall be chargeable from the first year of commercial operation. In case of commercial operation of the asset for part of the financial year, then the depreciation shall be charged on pro rata basis;

(f) Depreciation shall not be allowed on assets (or part of assets) funded by consumer contribution (i.e., any receipts from consumers that are not treated as revenue) and capital subsidies / grants.

Provision for replacement of such assets shall be made in the capital investment plan.

(g) Provided also that the capital cost of the assets of the hydro generating station for the purpose of computation of depreciated value shall correspond to the percentage of the sale of electricity under long-term power purchase agreement at regulated tariff.

(h) Provided also that any depreciation disallowed on account of lower availability of the generating station or unit or transmission system, as the case may be, shall not be allowed to be recovered at a later stage during the useful life or the extended life."

4.13 That the depreciation for the instant project has to be considered in line with the foregoing regulation, as has been agreed in the PPA. The Petitioner has wrongly considered the depreciation for Plant & Machinery, Office Equipment, Furniture & Fixtures, Buildings, and Vehicles on 100% of the asset value, disregarding the methodology prescribed under Regulation 23 of the HERC MYT Regulations, 2024.

4.14 That the useful life considered for certain assets is lesser than the project's useful life, resulting in depreciation being spread over a shorter period. As such, the Petitioner shall provide a detailed breakdown of the assets considered for depreciation and their useful life. Moreover, the depreciation shall be spread over 40 years of useful life of the project, as has been contended hereinabove.

E. INTEREST ON LOAN SHALL BE CONSIDERED AS PER REGULATIONS –

4.15 That the financial cost of the Plant is ceiling parameter as per HERC MYT Regulations, 2024 and has to be dealt accordingly. The Petitioner has considered the maximum rate of interest i.e. 10.15% p.a. for determination of tariff, which is on higher side in comparison of interest rates on loans available in today's scenario. In fact, a perusal of the details provided by the Petitioner under Excel Sheet F4.1 as regards details of project specific loans & weighted average rate of interest, the weighted average rate of interest on existing loans works out to nearly 9.72% p.a. In view thereof, the claim of interest on loan @ 10.15% p.a. is unsustainable. The rate of interest has to be considered as lower of the actual or normative.

4.16 That the normative rate of interest in the instant case is to be governed by Regulation 21.1 of MYT Regulations, 2024, which reads as under –

*"**21.1. Existing loans***

(i) Interest on loan capital shall be computed loan-wise for existing loans arrived in a manner specified in Regulation 19 and shall be as per the rates approved by the Commission.

(ii) The loan outstanding as on 1st April of each financial year shall be worked out as the gross loan in accordance with Regulation 19 by deducting the cumulative repayment as admitted by the Commission up to 31st March of previous financial year from the gross normative loan;

(iii) The rate of interest shall be the weighted average rate of interest on institutional loans calculated on the basis of the actual loan portfolio at the beginning of each year applicable to the project. In case the weighted average rate is not available, the interest rate approved by the Commission in its earlier tariff order shall be allowed.

Provided 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 shall be considered;

Provided further that if the generating plant/project does not have actual loan, then the *weighted average rate of interest of the generating company/licensee as a whole shall be considered.*

(iv) The interest on loan shall be calculated on the normative average loan of the year by applying the weighted average rate of interest;

(v) The generating company and the licensee shall from time to time review their capital structure i.e. debt and equity and make every effort to restructure the loan portfolio as long as it results in net savings on interest. The costs associated with such re-financing shall be borne by the beneficiaries and the net savings (after deducting the cost of re-financing) shall be subjected to incentive / penalty framework as mentioned in the Regulation 12 which shall be dealt with at the time of mid-year performance review/true-up.

(vi) The changes to the loan terms and conditions shall be reflected from the date of such refinancing and benefit passed on to the beneficiaries;

(vii) In case of any dispute relating to re-financing of loan, any of the parties may approach the Commission with proper application along with all the relevant details. During the pendency of any dispute, the beneficiaries shall not withhold any payment on account of orders issued by the Commission.

(viii) In case any moratorium period on repayment of loan is availed of by the generating company or the licensee, depreciation provided for in the tariff during the years of moratorium shall be treated as repayment during those years and interest on loan capital shall be calculated accordingly.

Provided that the repayment for each year of the control period shall be deemed to be equal to the depreciation allowed for the corresponding year."

4.17 That as per Regulation 21.1 (reproduced above), the weighted average rate of interest has to be calculated on the basis of actual loans portfolio. It is therefore, incumbent upon the Petitioner to have given all necessary documentation regarding the loans utilized, repayment details and the applicable interest rate on same. In the event the actual rate of interest is higher than the market rate, in the commercial interest, the Petitioner shall be re-finance its debt and pass on the benefit to the consumers through the determination of tariff. It is the incumbent duty of the generator to ensure that the procurement management and debt management is done effectively. Merely because the tariff is not being determined through competitive route, the same cannot be allowed to work against the interest the consumers.

F. **DESIGN ENERGY FOR THE PROJECT HAS TO BE CERTIFIED BY CENTRAL ELECTRICTY AUTHORITY –**

4.18 That for a project-specific tariff determination of a hydroelectric plant, the design energy must be approved by the Central Electricity Authority (CEA). The CEA's approval is crucial for ensuring the accuracy and reliability of the design energy, which is a key factor in determining the project's economic viability. Design Energy, as defined in GOI notification dated 30.03.1992, is the quantum of energy which could be generated in a 90% dependable year with 95% availability of installed capacity of the station. The Design Energy set out in the Techno-Economic Clearance of the Central Electricity Authority (CEA) shall be considered for fixation of tariff. In case of multi-unit projects, the Design Energy applicable on commissioning of units has to be set out for the respective unit in the Techno Economic Clearance of the Authority, which is further reviewed on completion of the project to consider additional hydrological data which would become available and latest status of completion/commissioning of projects involving consumptive use of water. CEA may also review the Design Energy subsequent to the commissioning of the project as and when any specific information about the change in consumptive use of water upstream or in run off is brought to the notice of the Authority.

4.19 That in the instant case the Petitioner has claimed the design energy of Kutehr HEP as 954.70MU based on a tabular statement given in the petition. The said statement has no credence without certification of the CEA. Further, to ascertain the accuracy of the net saleable design energy, it is imperative that the figures are reviewed by CEA post the commissioning of the project. It is pertinent here to mention that Hon'ble APTEL, in various cases pertaining to project specific tariff determination of HEP, has held that in case of multi-unit projects, the Design Energy applicable on commissioning of units shall be as set out for the respective unit in the Techno-Economic Clearance and CEA may review the Design Energy on completion of the project to consider available additional hydrological data. In view thereof, the Petitioner shall submit the details as regards the certification of the CEA qua the design energy post the commissioning of the project to enable tariff determination.

G. **THE OTHER RELEVANT PARAMETERS FOR DETERMINATION OF TARIFF ARE CONTINGENT UPON ASCERTAINMENT OF THE CAPITAL COST AND SHALL BE CONSIDERED AS PER MYT REGULATIONS, 2024 -**

4.20 That other relevant parameters such as fixed charges, return on equity, operation and maintenance charges and interest on working capital are contingent upon ascertainment of the capital cost for the project. As is elucidated hereinabove, the capital cost for the project cannot be ascertained in the present case owing to lack of details and documentation. Furthermore, a reasonable assumption as regards the parameters such as discounting factor shall be considered. In view thereof, the other parameters can only be commented upon after the requisite data and documentation provided by the petitioner post the commissioning of the project. Suffice to state that the lower of the actual or normative parameters shall be considered by the Hon'ble Commission for determination of tariff.

H. MINIMUM ALTERNATE TAX (MAT) SHOULD BE CONSIDERED FOR PROJECT SPECIFIC TARIFF DETERMINATION -

4.21 That the Petitioner has claimed passing through of the Income Tax @ 25.17% amounting to Rs. 30.13 crores on the considered Return on Equity (RoE) of Rs. 119.70 crores. At the outset, as is stated hereinabove, the RoE for the project can only be ascertain post the determination of Capital cost. As such, the claimed figure for the income tax is not worthy of any consideration. Be that as it may, it is submitted that it is the MAT which shall be considered instead of income tax to be passed through tariff. Central Electricity Regulatory Commission (CERC), in a number of cases, has held that in case the generating station is paying MAT, the rate of ROE is required to be grossed up with the MAT rate only and the MAT rate, including surcharge and cess, should be considered as the "effective tax rate" for the purpose of grossing up Return on Equity (ROE) in electricity tariffs. Further, this benefit is also available to the Petitioner subject to submission of proof regarding payment of taxes, which is missing in the instant case. In view thereof, the Petitioner shall be directed to produce the relevant records and the benefit if any shall be restricted to pass through of MAT only as per the relevant regime.

I. NO CHANGE IN LAW CLAIM CAN BE CONSIDERED IN THE PRESENT PETITION:

4.22 That the Petitioner, has claimed declaration of 'Change in Law' qua two events i.e. a) Withdrawal of deferment of free power by the Govt. of Himachal Pradesh; and b) Increase in royalty on minor minerals. At the outset, it is submitted that the present petition has been filed under specific provisions, the scope of which is limited to determination of tariff. The Petitioner cannot seek declaration as regards the Change in Law event in the present petition. The said reliefs are in excess of jurisdiction and the same are liable to be rejected outright.

4.23 That the relief sought qua alleged Change in Law events is admittedly, in anticipation. The Petitioner has explicitly stated that no cost as regards the alleged events has been expended till date. In view thereof, there is no question of consideration of financial impact qua the Change in Law event.

4.24 That without prejudice to the foregoing, it is submitted that the Change in Law claims has to be dealt with in terms of Clause 11.2 of the PPA. The said Clause mandates certain pre-conditions to be complied with by the Petitioner including issuance of notice with submission of requisite details. In view thereof, the alleged claims cannot be considered in the present petition.

4.25 That the alleged financial impact, if any, should not be allowed over and above the levelized ceiling tariff mutually decided by the parties. Needless to state that the financial impact for alleged events is subject to verification and prudence check, which is feasible only on the production of requisite documentation and details.

J. APPROPRIATE CLARIFICATION REQUIRED AS REGARDS ACCOUNTING OF THE SECONDARY ENERGY UNDER CLAUSE 9.1.3 OF THE PPA -

4.26 That clause 9.1.2 of the PPA provides condition for 'Tariff of Secondary Energy', which reads as under –

"The tariff as mentioned in Clause 9.1.2 shall be applicable only for the energy supplied upto the saleable design energy of the project. The tariff for energy scheduled in excess of saleable design energy shall be capped at Rs. 0.90/KWh or at the rate determined by HERC for secondary energy whichever is lower."

4.27 That the forgoing clause, although specifies the tariff for the secondary energy but does not clarify whether the accounting for the same has to be made on monthly basis or annually basis. The said clarification is essential to ensure processing of the bills. The Hon'ble Commission is therefore requested to clarify foregoing at the time of determination of the tariff.

K. THERE IS NO PROVISION FOR PASSING THROUGH OF THE FEE PAID FOR FILING OF PRESENT PETITION –

4.28 That the Petitioner has also claimed passing through of the tariff filing fee of Rs. 1.20 crores paid to the Hon'ble Commission. It is submitted that there is no provision that permits passing through of statutory fee in the tariff. No such fees have ever been passed through in the tariff in any case filed before the Hon'ble Commission for determination of project specific tariff. The said claim is liable to be rejected.

5. **The petitioner filed its additional affidavit dated 26.12.2025, submitting as under:-**

5.1. That a snap-shot of the invoices/documents being submitted along with the present affidavit and the balance documents remaining to be submitted as evidence of the expenditure incurred is reproduced hereinbelow for ready reference: -

Particulars	Capital cost claimed	Documents being submitted herewith	Capital work in progress (CWIP)	Balance to be submitted
Civil Work	1608.25	1117.09	159.90	331.26
Hydro Mechanical	68.66	60.79	2.49	5.38
Electro Mechanical	347.76	191.74	39.43	116.59
Land Freehold	12.08	-	-	12.08
Building & Township	9.00	-	-	9.00
Road & investigation	75.22			
Environment & ecology	75.00	-	75.00	-
LADF	19.76	-	4.50	15.26
Upfront Premium (Project bidding fee)	44.94	26.97	18.00	-0.03
Rehabilitation & Resettlement (R&R)	137.16	124.80	12.36	-
Catchment Area Treatment (CAT) & Fisheries Management Plan	6.89	-	-	6.89
Interest During Construction (IDC)	46.60	46.60	-	-
Term Loan Processing Fee	339.68	339.68	-	-
Construction insurance	20.89	20.89	-	-
Site supervision	45.00	44.93	0.30	-0.23
Other overheads	38.55	-	-	38.55
Other overheads	27.75	-	8.10	19.65
TOTAL	**29.23.19**	**1973.48**	**320.08**	**629.63**

5.2. That the project was executed on a split contract basis as against to an EPC contract basis. Therefore, there are thousands of invoices for Civil, Electro Mechanical and Hydro Mechanical works. While the Petitioner has bona-fide and in the right earnest attempted to comply with directions of this commission in the last order regarding production of all details and invoices, yet, despite the best attempts and endeavors, some of the invoices and details could not be compiled in the 10 days granted by this Hon'ble Commission. The difficulties of compiling such large number of documents at such short notice has been aggravated further as the project office has also shifted from its original premises to another premises within the District. As such, the Petitioner prays for absolution on this score; and prays that it be permitted to place the balance details and documents on record under a supplementary affidavit within the next 10 days.

5.3. That in compliance with the aforesaid Order, the Petitioner is also submitting herewith bank statements for the period from April 2021 up to the date of Commercial Operation (CoD), evidencing the payments made towards the project expenditure, for prudence check by this Hon'ble Commission.

5.4. That the Petitioner has enclosed herewith the invoices in support of the insurance claim. Documents related to LADF amounting of Rs. 26.97 Crore, Catchment Area Treatment (CAT) & Fisheries Management Plan amounting of Rs. 46.60 Crore, are also annexed.

5.5. That the petitioner has enclosed the document for upfront premium amounting Rs. 31.20 Crore, Two installments of upfront premium of Rs. 93.60 Crore are paid before the signing of Implementation agreement dated 04.03.2011.

6. **The petitioner filed its additional affidavit dated 05.02.2026, in continuation of its earlier affidavit dated 26.12.2025.**

The petitioner has submitted as under:-

6.1. That the present submissions are in continuation of its affidavit dated 26.12.2025, whereby the Petitioner has placed on record documents of Rs. 1973.49 crore in support of its claim towards capital cost.

6.2. That under the present affidavit, Petitioner is submitting additional documents amounting to Rs. 836.22 crore. With the present submission, the aggregate value of documents placed on record amounts to Rs. 2809.70 crore, out of the total capital cost of Rs. 2,923.19 crore. Pending works under CWIP for Rs, 65.09 crore are yet to be completed. Head wise, summary is tabulated below:-

Particulars	Capital Cost claimed	Documents submitted vide affidavit	Documents being submitted	List of invoices/Ledger being submitted	Balance	Reference

				dated 26.12.2025				Allocation of costs to the project hard cost					
	BS Schedule PPE	**BS Schedule CWIP**	**Total**	**BS Schedule PPE**	**BS Schedule CWIP**	**BS Schedule PPE**	**BS Schedule CWIP**	**Land lease Anx-15**	**General expenses Anx-16**	**Legal & Professional Anx-17**	**Admn Anx-18**		
Civil Work (including Road and communication	1523.57	159.90	1683.47	1055.18	61.91	368.91	93.70	2.67	60.51	18.03	20.41	2.16	Annexure-1 (Page 05 to 7165) & annexure-13 (Page 14959 to 15880)
Hydro Mechanical	66.17	2.49	68.66	60.79	-	1.08	0.18	0.14	2.88	0.86	0.97	1.77	Annexure-2 (Page 7166 to 7192)
Electro Mechanical	308.33	39.43	347.76	191.74	-	107.27	0.79	0.56	12.78	3.82	4.32	26.48	Annexure-3 (Page 7193 to 7588) & Annexure-14 (Page 15881 to 16152)
Building & Township	9.00	-	9.00	-	-	9.01	-	-	-	-	-	-0.01	Annexure-4 (Page 7589 to7799)
Environment & Ecology	15.26	4.50	19.76	-	-	15.59	-	-	-	-	-	4.17	Attached as Annexure-5 (Page No 7800 to 8001)
Land (Freehold)	12.08	-	12.08	-	-	9.57	-	-	-	-	-	2.51	Annexure-6 (Page 8002

													to 9068)
Other overheads	19.65	8.10	27.75	-	-	17.49	-	-	-	-	-	10.26	Annexure-7 (Page 9069 to 9541)
Rehabilitation & Resettlement (R&R)	6.89	-	6.89	-	-	6.89	-	-	-	-	-	0.00	Annexure-8 (Page 9542 to 9579)
Survey & Investigation	-	75.00	75.00	-	-	-	75.00	-	-	-	-	-	Annexure-9 (Page 9580 to 9582)
Construction insurance	44.70	0.30	45.00	44.93	-	-	0.30	-	-	-	-	-0.23	Annexure-10 (Page 9583)
Upfront Premium (project bidding fee)	124.80	12.36	137.16	124.80	-	-	12.36	-	-	-	-	-	Annexure-11 (Page 9584 to 9588)
Site supervision	38.55	-	38.55	-	-	38.55	-	-	-	-	-	-0.00	Annexure-12 (Page 9589 to 14598)
LADF	26.94	18.00	44.94	26.97	-	-	-	-	-	-	-	17.97	
Catchment Area Treatment (CAT) & Fisheries Management Plan	46.60		46.60	46.60	-	-	-	-	-	-	-	-	
Interest During Construction (IDC)	339.68		339.68	339.68	-	-	-	-	-	-	-	-	
Term Loan Processing Fee	20.89		20.89	20.89	-	-	-	-	-	-	-	-	
	2603.11	320.08	2923.19	1911.58	61.91	574.35	182.32	3.37	76.17	22.70	25.70	65.09	
						836.22							

6.3. That the Petitioner has enclosed the verified invoices as under:-

Hard Cost	
(a) Civil Works	Annexure-1 & 13
(b) Hydro Mechanical	Annexure-2
(c) Electro Mechanical	Annexure-3 & 14
Other Cost	
(a) Building & Township	Annexure-4
(b) Environment & ecology	Annexure-5
(c) Land (Freehold)	Annexure-6
(d) Other overheads	Annexure-7
(e) Rehabilitation & Resettlement (R&R)	Annexure-8
(f) Survey & investigation	Annexure-9
(g) Construction insurance	Annexure-10
(h) Upfront Premium (Project bidding fee)	Annexure-11
(i) Site supervision	Annexure-12

6.4. That the petitioner has allocated certain costs (by applying accounting principles) towards land lease Rs. 3.37 crore, general expenses Rs. 76.17 crore, administrative expenses Rs. 25.70 crore, and legal & professional Expenses Rs. 22.70 crore, to the Hard Cost of the Project. The invoices in respect of land lease and general expenses are enclosed.

Further, the invoices pertaining to administrative expenses Rs. 25.70 crore, and legal & professional Expenses Rs. 22.70 crore, are voluminous in nature with small values. List/General ledger of such invoices is enclosed**.** If this Hon'ble Commission still requires for the purpose of prudence check, the Petitioner undertakes to submit these invoices.

7. **The petitioner has filed documents pertaining to legal and professional expenses on 24.02.2026 and documents pertaining to administrative expenses on 18.03.2026.**

8. **HPPC filed its additional reply dated 22.04.2026, submitting as under:-**

8.1. That the Petitioner has placed on record certain documents pursuant to the directions issued by the Hon'ble Commission vide orders dated 11.07.2025, 27.08.2025, 26.09.2025 & 17.12.2025 wherein the Hon'ble Commission had directed the petitioner to file the complete details of the project till the COD. The COD of the project (unit-wise) as provided by the Petitioner is as follows:-

Units	Anticipated COD	Actual COD
Unit –I	30.04.2025	01.08.2025
Unit –II	15.05.2025	06.08.2025
Unit –III	31.05.2025	09.08.2025

8.2. That after the directions issued by the Hon'ble Commission, the Petitioner filed documents on different dates as detailed below:

i. Affidavit dated 01.12.2025 filed in response to interim order dated 26.09.2025

ii. Affidavit dated 26.12.2025: Additional information in response to interim order dated 17.12.2025

iii. Affidavit dated 05.02.2026: Additional information in continuation to the affidavit dated 26.12.2025 in response of interim order dated 17.12.2025.

iv. On 16.02.2026, Excel sheet comprising details of the documents/ invoices.

v. On 24.02.2026, documents pertaining to legal and professional expenses.

vi. On 18.03.2026, documents pertaining to administrative expenses.

A. Regulatory Framework Governing Tariff Determination

8.3. That the determination of tariff for the present project is governed by the provisions of the Electricity Act, 2003 read with the Haryana Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff) Regulations, 2024. The Hon'ble Commission is vested with the statutory duty to determine tariff in accordance with the principles of efficiency, economy, transparency and consumer protection, while ensuring recovery of only such costs as are legitimately and prudently incurred.

8.4. That Sections 61, 62 and 64 of the Electricity Act mandate that tariff determination must necessarily be preceded by a detailed prudence check. The Hon'ble Commission is required to examine the capital cost, financing structure, and all tariff components with due diligence and cannot mechanically accept the claims made by the Petitioner without proper verification and supporting evidence. The applicable Regulations further provide that only prudently incurred and duly substantiated expenditure shall be admissible for tariff purposes. Any cost overrun, delay, inefficiency, or financial burden attributable to the generating company is liable to be disallowed. The Regulations also mandate application of normative parameters for computation of depreciation, return on equity, interest on loan, and operation and maintenance expenses, thereby preventing any undue burden on consumers.

8.5. That it is a settled principle of tariff jurisprudence, consistently followed by the Central Electricity Regulatory Commission and upheld in various decisions, that tariff determination is not a mere arithmetic exercise but a regulatory scrutiny of costs. In view thereof, it is respectfully submitted that the claims of the Petitioner must be subjected to strict prudence check and only such costs as are found to be reasonable, justified and in conformity with the applicable Regulations may be allowed.

B. Design Energy

8.6. That the Petitioner has computed the Saleable Design Energy based on a Design Energy of 954.70 MU after accounting for auxiliary consumption and free power obligations. The computation of Saleable Design Energy, as set out by the Petitioner in the Petition, is reproduced hereinbelow for the kind consideration of this Hon'ble Commission:

Particulars	1st to 12th year	13th to 30th year	31st to 35th year
Design Energy (MU)	954.70	954.70	954.70
Less: Aux Consumption @1.20% (MU)	11.46	11.46	11.46
Net Design Energy after Aux Consumption (MU)	943.24	943.24	943.24
Less: Free Power (%)	0%	17.14% (12% + 5.14%)	17.14% (12% + 5.14%)
Less: Free Power (MUS)	-	161.67	161.67
Net Design Energy (MU)	943.24	781.57	781.57
Saleable Design Energy (MU)	943.24	781.57	781.57

The Design Energy as approved by the Central Electricity Authority (CEA) is 969 MUs, whereas the Petitioner has unilaterally adopted a Design Energy of 954.70 MUs for the purpose of tariff determination, without obtaining any fresh concurrence or revalidation from the CEA. The Petitioner's reliance on the Environmental Clearance condition as a basis for revising the Design Energy downward does not automatically validate the revised figure, unless the same is supported by detailed hydrological studies and duly approved by the competent authority. In the absence of such certification, the Design Energy figures remain unverified and cannot be relied upon for determination of tariff, particularly when the same forms the basis for computation of energy charge and overall tariff. It is also submitted that the reduction in Design Energy from 969 MUs to 954.70 MUs directly results in an increase in the per unit tariff of the hydro power plant, thereby imposing an undue financial burden on the consumers. Accordingly, CEA revalidation or concurrence is mandatorily required before any revision to the Design

Energy is accepted, and the Design Energy as approved by the CEA i.e. 969 MUs ought to be adopted for the purpose of tariff determination.

8.7. That the Petitioner has failed to appropriately account for all statutory obligations, including free power contribution towards Local Area Development Fund (LADF) @1%, which has been excluded on the basis of a judgment of the Hon'ble Himachal Pradesh High Court dated 19.06.2012, which is admittedly sub-judice in appeal. In absence of final adjudication, the exclusion of such statutory liability is premature and leads to overstatement of saleable energy in any case, tariff should not exceed the levelized ceiling tariff.

8.8. That as per Clause 9.1.4 of the Power Purchase Agreement (PPA), the Petitioner has expressly agreed that any free power supplied to the State Government over and above the limits prescribed under applicable Government of India notifications shall be borne entirely by the generator. The said obligation, read with the Supplementary Implementation Agreement dated 26.11.2018 providing for deferment of free power, makes it abundantly clear that no additional burden on account of free power can be passed on to the Respondent. Accordingly, any financial impact arising out of such excess or restructured free power must be borne solely by the Petitioner and cannot be loaded into tariff.

C. CAPITAL COST OF THE PROJECT

Mismatch in Capital Cost Figures in Affidavit and Annexures

8.9. That the Petitioner has submitted the following capital cost data in its Affidavit dated 01.12.2025. The same is reproduced hereinbelow for ready reference:

Particulars	Earlier expected Capital cost as per petition filed on 08.04.2025	Actual Capital Cost as on COD	Difference (Rs. In crores)
Hard Cost	2186.20	2305.51	119.31
Add: IDC & finance charges	492.98	512.39	19.41
Add: Others incl. LADA, Upfront premium and Prelim. Survey etc.	295.56	257.10	38.46 (Less)
Capital Cost	2974.74	3075.01 (3075)	100.27
Less: Upfront fee	124.80	137.16	12.36
Capital cost considered for tariff	2849.94	2934.16	84.22
Levellized tariff (Rs. per unit)	5.74	5.88	0.14

8.10. That the Capital Cost of the project has witnessed a significant escalation at the time of COD as compared to the earlier expected cost. The capital cost of the project has increased from Rs. 2974.74 Crores to 3075.01, reflecting an escalation of Rs. 100.27 Crores only within few months from the filing of the Petition.

8.11. That the capital cost claimed by the Petitioner suffers from material inconsistencies within its own records. In particular, at Page 95 of affidavit dated 01.12.2025, the total capital cost (including IDC and Financing Cost) has been stated as Rs. 2,923.19 Crores, whereas in Paragraph 4 of the same Affidavit, the capital cost considered for tariff purposes is stated as Rs. 2,934.16 Crores. The aforesaid discrepancy of more than Rs. 10 Crores remains unexplained and reflects lack of consistency and reliability in the financial data submitted by the Petitioner. Such internal inconsistencies cast serious doubt on the accuracy, credibility and veracity of the claimed capital cost and render the same unfit for acceptance without detailed reconciliation and strict prudence check by this Hon'ble Commission.

8.12. That the Petitioner has appended certain invoices wherein discrepancies are evident between the invoice amounts and the corresponding amounts reflected in the annexed excel sheet. The Respondent is hereby specifically highlighting such mismatched invoices, and for the ready reference of this Hon'ble Commission, the details thereof along with the relevant page numbers are set out in the table below:

Invoice No.	**Amount in table**	**Actual amount**	**Pg. nos. (Annex. 1)**
ENKUPO6X210000066	2,86,125	1,54,875.00	57
ENKUPO6X210000093	2,86,125	1,54,875.00	63
ENKUPO6X210000127	2,86,125	1,54,875.00	66
ENKUPO6X210000147	2,86,125	1,54,875.00	69
ENKUPO6X210000212	2,86,125	1,54,875.00	72
ENKUPO6X210000222	2,86,125	1,54,875.00	75
ENKUPO6X210000250	2,86,125	1,54,875.00	78
ENKUPO6X210000377	2,86,125	1,54,875.00	81
ENKUPO6X210000480	2,86,125	1,54,875.00	84
ENKUPO6X210000554	2,86,125	1,54,875.00	87
ENKUPO6X220000032	2,86,125	1,54,875.00	90
ENKUPO6X220000096	1,43,063	77,437.50	93

Further, the Petitioner has not appended the invoices of critical civil works amounting to Rs. 590.22 Cr. and Rs. 508.66 Cr. in Annexure-1 of affidavit dated 26.12.2025, therefore the claimed capital cost remains unverifiable.

DISCREPANCY IN IDC AND FINANCING COST (FC)

8.13. That the Petitioner has claimed IDC and Financing Cost of Rs. 512.39 Crores in tariff form F-2 as on COD**.** However, in the detailed breakup statement submitted along with the Affidavit dated 01.12.2025 (page no. 95), the IDC and Financing Cost is shown as only Rs. 360.57 Crores, thereby indicating a material mismatch of more than Rs. 150 Crores. The Petitioner has not provided any reconciliation statement, loan-wise drawdown schedule, interest computation methodology, or bank certificates to justify the difference. It is submitted that IDC can be allowed only on the basis of actual loan drawdowns, actual interest rates, actual construction period and delay not attributable to the generating company. In the absence of complete documentary evidence, the IDC claim is unsubstantiated and liable to be disallowed to the extent not proved.

COST ESCALATION DUE TO DELAY – NOT ADMISSIBLE

8.14. That from Form F-2 (Page 102 of the Affidavit dated 01.12.2025), it appears that there is an increase of Rs. 119.31 Crores in Hard Cost, Rs. 19.41 Crores in IDC and Financing Cost, and, while the reduction in infirm power revenue is only Rs. 3.69 Crores. Consequently, the capital cost for tariff determination has increased by Rs. 84.22 Crores over the earlier expected capital cost. It is submitted that any escalation, IDC or pre-operative expenses arising due to delay attributable to the Petitioner cannot be allowed for tariff purposes, in terms of settled regulatory jurisprudence and MYT Regulations.

8.15. That the Petitioner has not provided any documentary evidence, including approvals from the Govt. of Himachal Pradesh towards force majeure events during the construction of project. In the absence of such supporting evidence, the claimed cost escalation is liable to be disallowed.

MISSING BANK STATEMENTS AND INCOMPLETE FINANCIAL TRAIL

8.16. That the Petitioner has submitted bank statements to support the capital expenditure. However, it is observed that bank statements (Annexure 2 affidavit 26.11.2025) for the period December 2021 to March 2022 are missing, which coincides with a critical period of project execution. Although invoices from Pages 181 to 411 have been filed, the absence of bank statements for the said period makes it impossible to verify whether the payments were actually made and whether the expenses relate to the pre-COD period. In the absence of a complete financial trail, the claimed capital cost remains unverifiable and cannot be accepted.

DPR ESTIMATES VS. CLAIMED COMPLETION COST

8.17. That as per the Detailed Project Report (DPR), Clause 18.13, the total completion cost of the Project including escalation, IDC and financing costs was estimated at Rs. 1,798.13 Crores. The Petitioner is now claiming a capital cost exceeding Rs. 3,000 Crores, **which represents an escalation of approximately 67% over the DPR estimates**. Such a massive deviation cannot be accepted without detailed item-wise justification, quantity variation analysis, rate analysis and geological justification supported by contemporaneous records. The DPR cost breakup is reproduced below for ready reference:

	(Rs. Lakhs)
Basic cost of project	*109064.0*
Escalation during construction period	*34681.0*
IDC and Financing Costs	*36068.0*
Total Cost on Completion	***179813.0***

Additional Capitalization POST-COD EXPENSES – INADMISSIBLE IN INITIAL CAPITAL COST

8.18. That the Petitioner has appended several invoices which clearly pertain to the post-COD period. As per tariff regulations and settled law, post-COD expenses cannot form part of the initial capital cost and may only be considered, if at all, under additional capitalization subject to regulatory approval. The relevant invoices and page numbers are as follows:

Invoice No.	Amount in table	Dates	Pg. nos. (Annex. 1)
ENKUPO6X250000877	2,29,75,260	01.11.2025	6853
ENKUPO6X250000901	56,73,047	17.11.2025	6876
ENKUPO6X250000952	2,43,892	17.11.2025	6880
ENKUPO6X250000965	46,58,588	17.11.2025	6884
ENKUPO6X250000966	14,06,295	01.12.2025	6894
ENKUPO6X250000786	9,20,400	25.10.2025	6900
ENKUPO6X250000914	3,06,800	27.11.2025	6903
ENKUPO6X250000599	1,50,00,000	01.09.2025	6910
ENKUPO6X250000611	3,47,903	11.09.2025	6919
ENKUPO6X250000963	29,99,997	02.12.2025	6922
ENKUPO6X250000608	3,53,410	09.09.2025	6931
ENKUPO6X250000747	6,63,557	16.09.2025	6934
ENKUPO6X250000777	1,93,019	08.10.2025	6938
ENKUPO6X250000620	2,04,518	16.09.2025	6941

ENKUPO6X250000744	4,22,180	16.09.2025	6944
ENKUPO6X250000631	17,60,796	18.09.2025	6948
ENKUPO6X250000665	1,71,100	13.09.2025	6957
ENKUPO6X250000808	1,71,100	14.10.2025	6960
ENKUPO6X250000946	1,71,100	14.11.2025	6963
ENKUPO6X250000958	1,71,100	15.12.2025	6966
ENKUPO6X250000745	39,29,356	08.10.2025	6969
ENKUPO6X250000810	5,66,702	03.11.2025	6972
ENKUPO1X250000188	2,15,94,000	01.09.2025	6975
ENKUPO1X250000609	11,97,700	01.09.2025	6978
ENKUPO1X250000204	1,08,388	10.09.2025	6982
ENKUPO1X250000209	1,04,892	15.09.2025	6984
ENKUPO1X250000207	1,04,892	12.09.2025	6986
ENKUPO1X250000208	2,23,507	08.09.2025	6988
ENKUPO1X250000206	5,24,460	18.09.2025	6990
ENKUPO1X250000202	1,03,319	09.09.2025	6992
ENKUPO1X250000203	1,08,825	11.09.2025	6994
ENKUPO1X250000205	1,04,892	13.09.2025	6996
ENKUPO1X250000250	1,63,548	25.10.2025	6998
ENKUPO6X250000623	22,69,787	01.09.2025	7038
ENKUPO6X250000876	27,49,100	01.11.2025	7042
ENKUPO6X250000898	57,52,65,236	20.11.2025	7056
ENKUPO6X250000918	7,16,306	20.11.2025	7063
ENKUPO6X250000919	12,52,20,508	20.11.2025	7067
ENKUPO6X250000827	4,00,016	12.11.2025	7072
ENKUPO6X250000622	2,09,887	10.09.2025	7082
ENKUPO6X250000787	65,89,228	01.09.2025	7089
ENKUPO6X250000779	9,99,023	18.09.2025	7095
ENKUPO6X250000688	1,77,074	01.09.2025	7099
ENKUPO6X250000714	10,31,668	18.09.2025	7103
ENKUPO6X250000746	11,71,444	18.09.2025	7108
ENKUPO6X250000860	17,70,000	07.10.2025	7123
ENKUPO6X250000906	20,06,000	29.10.2025	7126
ENKUPO6X250000784	1,50,08,225	18.10.2025	7134
ENKUPO6X250000833	1,79,00,184	12.11.2025	7138
ENKUPO6X250000835	1,98,36,355	14.11.2025	7142
ENKUPO6X250000802	8,42,334	29.10.2025	7146
ENKUPO6X250000762	55,460	23.09.2025	7153
ENKUPO6X250000812	11,26,900	07.11.2025	7157
ENKUPO6X250000803	1,12,000	31.10.2025	7163
ENKUPO1X250000272	5,49,585	25.10.2025	7383
ENKUPO6X250000837	20,36,691	13.11.2025	7564
ENKUPO6X250000770	10,92,916	10.10.2025	7571
ENKUPO6X250000832	5,60,500	10.09.2025	7585
ENKUPO1X250000188	2,15,94,000	01.09.2025	7798
ENKUPO6X250000961	47,20,000	09.12.2025	9210
ENKUPO6X250000962	2,98,372	12.12.2025	9213
ENKUPO6X250000625	9,63,923	12.09.2025	10225
ENKUPO6X250000681	77,738	22.09.2025	10577
ENKUPO6X250000669	15,329	22.09.2025	10988
ENKUPO6X250000670	17,600	22.09.2025	10991

ANNUAL FIXED CHARGES (AFC)

Depreciation

8.19. That the Petitioner has computed depreciation in a manner contrary to the HERC Regulations, 2024. As per Regulation 23 (e), *Depreciation shall be chargeable from the first year of commercial operation. In case of commercial operation of the asset for part of the financial year,* ***then the depreciation shall be charged on pro rata basis;***. However, the Petitioner has considered recovery of 100% of the asset value over a period of 35 years, purportedly on account of the BOOT structure, which is inconsistent with the applicable regulatory framework. As per the HERC Regulations, depreciation is to be allowed only up to 90% of the asset value over the useful life of 40 years (except for specified assets such as IT equipment and software). Further, the Petitioner has adopted asset life inconsistent with regulatory norms for instance, the useful life of vehicles has been considered as 6 years instead of the standard 10–15 years. Such deviation results in front-loading of tariff and imposes an undue burden on consumers. Accordingly, depreciation is liable to be recomputed strictly in accordance with the HERC Regulations by applying normative useful life and depreciation principles.

Interest on Loan

8.20. That the computation of Interest on Loan by the Petitioner, including the rate of interest considered for the purpose of tariff determination, is subject to verification in accordance with the provisions of the HERC MYT Regulations, 2024. The Petitioner has applied a certain rate of interest which is on higher side. However, the same may be examined by this Hon'ble Commission on the basis of applicable regulatory principles, including the actual loan portfolio, weighted average rate of interest, and prudence check. Accordingly, the interest on loan, including the applicable rate, may be allowed strictly in accordance with the HERC Regulations based on duly verified details and supporting documents. The rate of interest has to be considered as lower of the actual or normative.

Return on Equity

8.21. That the Petitioner has claimed Return on Equity considering the base rate and methodology adopted have not been substantiated through authenticated documents. Further, the Petitioner has failed to provide COD-wise asset capitalization details, which are essential for computation of RoE, particularly for part-year operations. As per the Regulations, RoE is to be computed from the date of COD till the end of the financial year on a pro-rata basis. In absence of requisite disclosures, the claimed RoE is not admissible.

O&M Expenses

8.22. That the Petitioner has improperly included IEDC, IDC and R&R related costs within the capital cost base for computation of Operation and Maintenance (O&M) expenses. As per Regulation 35.4(b) of the HERC Regulations, O&M expenses for hydro projects are to be computed at 3.5% of the original project cost excluding IDC, IEDC and R&R costs. By failing to exclude such components, the Petitioner has inflated the O&M expenses, thereby imposing an undue financial burden on the Respondent and consumers. The Petitioner must be directed to recompute O&M expenses strictly in accordance with the Regulations.

8.23. That the cost breakup provided by the Petitioner in its affidavit dated 05.02.2026 materially differs from the cost allocation reflected in Form F-2. Several critical cost heads such as Environment & Ecology, Rehabilitation & Resettlement (R&R), Insurance, Construction components and CAT Plan are not distinctly identifiable or reconcilable in Form F-2. The absence of a clear one-to-one mapping between the affidavit and Form F-2 renders the capital cost data inconsistent and unverifiable. In such circumstances, the Petitioner is required to furnish a detailed, item-wise reconciliation between the affidavit and Form F-2 and other tariff forms along with supporting documents, failing which the claimed capital cost cannot be accepted.

8.24. That as per the HERC Regulations, in case of hydro generating stations declared under commercial operation on or after 01.04.2025 and having installed capacity exceeding 200 MW, Operation and Maintenance (O&M) expenses for the first year are to be fixed at 3.5% of the original project cost, excluding the cost of Rehabilitation & Resettlement (R&R), Interest During Construction (IDC) and Incidental Expenditure During Construction (IEDC). However, the Petitioner has failed to adhere to the said regulatory framework, as it has neither excluded IEDC from the capital cost base used for computation of O&M expenses nor furnished the requisite details thereof. Further, it is observed that the Petitioner has incorrectly included costs pertaining to R&R entitlements, as reflected in Annexure-8, under the head of Environment & Ecology in Annexure-5, thereby resulting in artificial inflation of the project cost considered for O&M computation. Such misclassification is contrary to the applicable Regulations and leads to unwarranted escalation of O&M charges, imposing an undue financial burden on the consumers of the Haryana Discoms. Accordingly, the Petitioner is liable to recompute the O&M expenses strictly in accordance with the HERC Regulations after excluding inadmissible components and ensuring proper classification of cost elements. The petitioner has shifted the cost of R& R in the Environment and Ecology (affidavit 5.02.2026 Annexure 5).

Interest on Working Capital

8.25. That the Petitioner has claimed Interest on Working Capital without furnishing detailed computation or substantiating the components considered therein. It is submitted that Interest on Working Capital is required to be computed strictly on normative basis in accordance with the Haryana Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff) Regulations, 2024. The Petitioner is required to first correctly compute the O&M expenses, as the same forms a component of working capital, and only thereafter can the Interest on Working Capital be accurately determined. In absence of proper details and supporting data, the claimed amount remains unverified and is liable to be restricted to normative levels as determined by this Hon'ble Commission.

8.26. That IoWC is to be computed on normative components of working capital, which are strictly linked to admissible O&M expenses, receivables, and spares in line with the Regulation 22 read with Regulation 22.1 of the HERC Tariff Regulations, 2024.The relevant Extract of Regulation 22.1 of the Haryana Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff) Regulations, 2024 is reproduced hereunder:

"The working capital shall comprise of—

(a) Operation and Maintenance expenses for one month;

(b) Maintenance spares at 15% of the Operation and Maintenance expenses; and

(c) Receivables equivalent to one/two months of fixed and variable charges, as applicable."

8.27. That the Petitioner's claim of IoWC is based on inflated O&M expenses claimed. Since both one month's O&M expenses and maintenance spares at 15 percent under HERC Regulation 22.1 directly depend upon admissible O&M expenses, any inflation in O&M artificially enlarges these components and thereby increases the receivables base, resulting in a cascading effect that inflates the overall IoWC computation at the threshold. Accordingly, unless the O&M cost is recomputed the claim of IoWC will stand vitiated.

Income Tax

8.28. That the Petitioner has claimed passing through of the Income Tax @ 25.17% amounting to Rs. 30.13 crores on the considered Return on Equity (RoE) of Rs. 119.70 crores. As such, the claimed figure for the income tax is not worthy of any consideration. Be that as it may, it is submitted that it is the MAT which shall be considered instead of income tax to be passed through tariff. Central Electricity Regulatory Commission (CERC), in a number of cases, has held that in case the generating station is paying MAT, the rate of ROE is required to be grossed up with the MAT rate only and the MAT rate, including surcharge and cess, should be considered as the "effective tax rate" for the purpose of grossing up Return on Equity (ROE) in electricity tariffs. Further, this benefit is also available to the Petitioner subject to submission of proof regarding payment of taxes, which is missing in the instant case. In view thereof, the Petitioner shall be directed to produce the relevant records and the benefit if any shall be restricted to pass through of MAT only as per the relevant regime.

8.29. Furthermore, income tax refund, if any received from Income Tax department including interest component should be passed on to respondents.

Annual Fixed Cost (AFC)

8.30. That the Annual Fixed Cost (AFC) claimed by the Petitioner is inflated and not in accordance with the applicable regulatory framework. It is submitted that AFC is a composite of various elements including depreciation, return on equity, interest on loan, operation and maintenance expenses, and interest on working capital, all of which are required to be computed strictly in accordance with the Haryana Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff) Regulations, 2024. In view of the discrepancies and deficiencies in the computation of these individual components as highlighted hereinabove, the AFC claimed by the Petitioner is liable to be revised based on prudently verified parameters and in conformity with the applicable Regulations.

Capacity Charge & Energy

8.31. That it is submitted that the tariff for the Project is required to be determined on a single-part basis in the form of levelized tariff, in accordance with the Petitioner’s EOI offer dated 03.07.2018 and executed PPA i.e. *the levelized ceiling tariff offered by the* *petitioner for 35 years was Rs. 4.93 / kWh inclusive of Rs. 4.50 / kWh levelized ceiling tariff ex-generator's bus, Rs. 0.38 / kWh levelized STU charges and STU losses of Rs. 0.05 / kWh.*, and therefore the tariff is not to be segregated into Capacity Charge and Energy Charge components. The computation of such levelized tariff is inherently dependent upon key underlying parameters, including Design Energy, capital cost, financing parameters and discounting factors, all of which are required to be duly verified and based on approved data. The Design Energy considered by the Petitioner at 954.70 MUs is not in line with the Design Energy of 969 MUs as approved by the Central Electricity Authority and has been adopted without obtaining fresh concurrence or revalidation. Such reduction in Design Energy has a direct bearing on the levelised tariff and results in an increase in the per unit cost of power. In view thereof, the levelised tariff proposed by the Petitioner is liable to be examined and determined strictly on the basis of duly verified and approved inputs in accordance with the applicable regulatory framework. Further, the Petitioner has claimed compensation on account of shortfall in design energy, however, such claim is not admissible under single part tariff.

8.32. Further, in case of secondary energy being generated by the plant, billing of the same be governed as per terms and conditions of Power Purchase Agreement (PPA).

IDC & IEDC Non-Compliance

8.33. That the Petitioner has failed to comply with the regulatory framework governing Interest During Construction (IDC) and Incidental Expenditure During Construction (IEDC). As per the HERC Regulations, IDC is allowable only on actual loan drawdowns and only to the extent the delay is beyond the control of the generating company, subject to prudence check and proper phasing of funds. Further, IEDC is required to be computed from the zero date after accounting for all pre-operative expenses up to SCOD, with necessary adjustments for any revenue earned during the construction period. The Regulations further provide that where delay is attributable to contractors or suppliers, liquidated damages recovered must be adjusted in capital cost. It is further submitted that as per Regulation 18(2)(e)(iii), the Petitioner is mandatorily required to furnish a detailed head-wise breakup of IDC and IEDC. However, the Petitioner has failed to disclose IEDC separately and has instead subsumed such costs within hard cost, thereby violating the regulatory framework. In absence of proper disclosure and justification, the IDC and IEDC claims are liable to be restricted to prudently verified amounts.

Wrong Classification of Costs (Hard Cost vs IEDC)

8.34. That the Petitioner has paid penal interest amounting to Rs. 12,36,82,573.86/- pertaining to delayed payment of the third installment of Upfront Premium as mentioned in the tariff form (F-2) for capital cost. The said penal interest has arisen solely due to the Petitioner's own default in not depositing the amount by the due date i.e., 14.01.2021. It is further submitted that while the Petitioner has excluded the Upfront Premium from the capital cost for the purpose of tariff determination, the Petitioner must categorically confirm before the Commission that no such penal interest has been included under any other component of the capital cost.

8.35. That it is submitted that the Petitioner has erroneously allocated expenditures towards Land Lease (Rs. 3.37 Cr), General Expenses (Rs. 76.17 Cr), Administrative Expenses (Rs. 25.70 Cr) and Legal & Professional Expenses (Rs. 22.70 Cr), aggregating to Rs. 127.94 Crores, under the head of Hard Cost of the Project. Such classification is contrary to Regulation 18.1 of the HERC MYT Regulations, which clearly provides that incidental expenditure during construction, including pre-operative expenses incurred up to SCOD, is to be treated as Incidental Expenditure During Construction (IEDC). The aforesaid expenses do not result in the creation of any tangible capital assets and are in the nature of pre-operative or indirect costs; therefore, they cannot form part of the hard cost of the project. <u>The aforesaid amount of Rs. 127.94 Crores is liable to be reclassified as IEDC to ensure prudent and accurate determination of the capital cost.</u> The relevant extract of Regulation 18.1 of the HERC MYT Regulations is reproduced below for ready reference:

*"**Incidental expenditure during construction** shall be computed from the zero date and after considering pre-operative expenses up to SCOD:*

Provided that any revenue earned during construction period up to SCOD on account of interest on deposits or advances, or any other receipts may be considered for reduction in incidental expenditure during construction."

LADF Charges

8.36. That the Petitioner has improperly included inadmissible financial charges within the capital cost. In particular, the LADF charges claimed in the Petition include penal interest amounting to Rs. 18.338 Crores, which is clearly in the nature of a penalty arising out of non-compliance and cannot be capitalised as part of the project cost.

8.37. That the Survey & Investigation charges, as reflected in Annexure-9, include a component of compound interest, which is also a financing cost not directly attributable to creation of any capital asset. Such penal and financing elements are expressly inadmissible for capitalization under the applicable regulatory framework. Accordingly, the aforesaid amounts are liable to be excluded from the capital cost for the purpose of tariff determination.

8.38. That there are material inconsistencies in the asset values reported by the Petitioner, inasmuch as the amount of Land & Building has been stated as Rs. 21.08 Crores in the capital cost (Tariff Form - F-2), whereas a different figure of Rs. 24.346 Crores has been considered in the depreciation schedule (tariff form -F-3). Such discrepancies render the financial data unreliable and necessitate proper reconciliation before any cost is admitted for the purpose of tariff determination.

Useful Life of Project – Tariff to be Determined for 40 Years-

8.39. The Petitioner has executed an Implementation Agreement dated 04.03.2018 with the Government of Himachal Pradesh. Clause 3 thereof provides that the Agreement shall remain in force for 40 years from the Scheduled Commercial Operation Date of the Project. Hence, the useful life of the Project for power supply is **40 years**, Tariff determination must allow recovery of capital cost over the useful life of the project. If capital recovery is restricted to 35 years, the revenue earned from the 36th to 40th year would result in **unjust enrichment** to the Petitioner. Accordingly, the Hon'ble Commission is requested to determine tariff considering 40 years of useful life, with levelised tariff for HPPC computed separately for the contracted PPA period.

THERE IS NO PROVISION FOR PASSING THROUGH OF THE FEE PAID FOR FILING OF PRESENT PETITION –

8.40. That the Petitioner has claimed passing through of the tariff filing fee of Rs. 1.20 crores paid to the Hon'ble Commission. It is submitted that there is no provision that permits passing through of statutory fee in the tariff. No such fees have ever been passed through in the tariff in any case filed before the Hon'ble Commission for determination of project specific tariff. The said claim is liable to be rejected.

Change in Law

8.41. The Petitioner, in chapter 6 of the petition has claimed declaration of 'Change in Law' qua two events i.e. a) Withdrawal of deferment of free power by the Govt. of Himachal Pradesh; and b) Increase in royalty on minor minerals. At the outset, it is submitted that the present petition has been filed under specific provisions, the scope of which is limited to determination of tariff. The Petitioner cannot seek declaration as regards the Change in Law event in the present petition. The said reliefs are in excess of jurisdiction and the same are liable to be rejected outright.

8.42. That the relief sought qua alleged Change in Law events is admittedly, in anticipation. The Petitioner has explicitly stated that no cost as regards the alleged events has been expended till date. In view thereof, there is no question of consideration of financial impact qua the Change in Law event.

NEED FOR STRICT PRUDENCE CHECK AND BENCHMARKING

8.43. That this Hon'ble Commission must undertake a rigorous prudence check of the capital cost claimed by the Petitioner. The prudence check must include item-wise comparison with DPR BOQ quantities and rates, benchmarking with CERC-approved hydro projects, verification of contractor variation claims, scrutiny of land, R&R, CSR and litigation costs, and elimination of double counting between EPC and subcontractor invoices. It is also submitted that civil cost per MW must be benchmarked with similar hydro projects, and any abnormal deviation must be disallowed.

8.44. That the Petitioner's claims are required to be examined strictly in light of the relevant provisions of the Power Purchase Agreement (PPA) and the Supplementary Power Purchase Agreement (SPPA), and all material clauses governing cost, tariff, and obligations of the parties ought to be duly considered and reproduced for proper adjudication.

8.45. That the following prayers have been made:-

a) Determine the tariff strictly in accordance with the applicable HERC tariff Regulations, 2024 based on duly verified and prudently incurred costs;

b) Undertake a strict prudence check of all claims made by the Petitioner, including capital cost, tariff components and associated financial parameters, in accordance with the Electricity Act, 2003 and the applicable HERC tariff Regulations, 2024 and direct the petitioner to reconcile discrepancies and recompute all tariff components;

c) Disallow or suitably restrict all inflated, unsubstantiated, inconsistent, or inadmissible claims, including but not limited to capital cost, IDC, IEDC, O&M expenses, Interest on Loan, Return on Equity, and Interest on Working Capital;

d) Reject all claims which are beyond the scope of the present proceedings, including the reliefs sought under the head of Change in Law;

e) Allow the respondent to make further submissions and place additional documents on record, if required, during the course of the present proceedings.

f) Pass such further order(s) as this Hon'ble Commission may deem fit and proper in the facts and circumstances of the present case.

9. **The Petitioner has filed its Rejoinder dated 27.05.2026 to the reply filed by respondent dated 22.04.2026. The petitioner has submitted as under: -**

9.1 That the present rejoinder is being filed by the Petitioner in response to the additional reply filed by HPPC dated 22.04.2026, which largely reiterates earlier objections dated 21.05.2025, raises speculative apprehensions, and seeks disallowance of legitimate costs without establishing any violation of the Electricity Act, 2003 or the HERC Tariff Regulations, 2024.

9.2 That the Petitioner has complied with every direction of this Hon'ble Commission, has filed the necessary affidavits, invoices, bank statements, cost break-ups, and reconciliations, far exceeding normal regulatory disclosure requirements. This itself shows that the petitioner has acted in a transparent and bona fide manner.

Design energy

9.3 That the Petitioner based on subsequent legal opinion agrees with the position that design energy has to be considered as 969 MUs, which is the design energy as approved by the Central Electricity Authority (CEA).

9.4 That the allegation regarding LADF @1% is misconceived. The Hon'ble Himachal Pradesh High Court vide judgement and order dated 19.06.2012 passed in CWP no 697 of 2010 has quashed the levy. Mere pendency of appeal does not revive a non-existent statutory liabilities and tariff cannot be based on speculative future outcomes.

9.5 That clause 9.1.4 of the PPA only clarifies allocation of free power obligation between the State Government and generator; it does not prohibit appropriate computation of saleable energy for tariff purposes. The Petitioner has fully complied with the applicable free power obligations and no admissible free power cost is sought to be passed through tariff. It is clarified that no claim beyond 12% free power has been made; and there is no additional burden which is requested to be passed-on, on account of deferment of free power.

Capital cost of the project.

9.6 That the earlier submissions were based on provisional estimates, as the project had not achieved commercial operation at that stage. The determination of capital cost is to be undertaken based on actual audited figures, subject to prudence check by this Hon'ble Commission. The Respondent's contention regarding an alleged increase of Rs. 100.27 crore is erroneous and denied, as it arises from an incorrect comparison between provisional and actual figures. Such comparison does not present a true or accurate picture of the capital cost. The earlier figure of Rs. 2,974.74 crore was based on provisional calculations, whereas the revised figure of Rs. 3,075.01 crore has been submitted post COD, duly supported by a CA certificate and special purpose audit report, in accordance with the applicable HERC Tariff Regulations.

9.7 That the contentions raised by the Respondent in respect of material inconsistencies in capital cost, are misconceived, incorrect and hence denied. It is respectfully submitted that the capital cost considered for tariff determination has been arrived at after making appropriate adjustments to the capitalized expenditure as on COD, in accordance with the applicable provisions of the HERC Tariff Regulations. In this regard, the Petitioner submits that the figure of Rs. 2,923.19 crore represents the capital cost as per capitalized expenditure, duly supported by the CA certificate annexed with the affidavit dated 01.12.2025. The said cost has been further adjusted by adding admissible IDC on excess equity and deducting upfront fee and infirm power, as per the applicable HERC Tariff Regulations.

The detailed reconciliation of the capital cost is provided hereinbelow:

(Rs. in crore)

Particulars	Amount	Remarks
Actual capital expenditure	2,923.19	CA certificate annexed with affidavit dated 01.12.2025
Add: IDC on excess equity	151.82	In terms of Regulation 18(2)(b) of the HERC Tariff Regulations, 2024
Less: Upfront fee	(137.16)	In terms of Regulation 18(5)(c) of the HERC Tariff Regulations, 2024
Gross capital cost	**2,937.85**	
Less: Infirm power	(3.69)	In terms of Regulation 45(b) of the HERC Tariff Regulations, 2024
Net capital cost for tariff determination	**2,934.16**	

9.8 That the discrepancies pointed out between the invoice amounts and the figures reflected in the annexed excel sheet have arisen due to inadvertent clerical/typographical errors in the tabulation. It is therefore prayed that this Hon'ble Commission may kindly consider the actual invoice values as per the supporting documents and disregard the inadvertent discrepancies appearing in the excel sheet, which are purely unintentional.

9.9 That in view of the voluminous nature of the invoices pertaining to critical civil works amounting to Rs. 590.22 crore and Rs. 508.66 crore, the Petitioner had already furnished a reconciliation statement of the said documents vide affidavit dated 26.12.2025 for the purpose of prudence check by this Hon'ble Commission.

Discrepancy in IDC and financing cost.

9.10 That the contentions raised by the Respondent are misconceived, incorrect, and hence denied. The Petitioner has claimed IDC and financing cost of Rs. 512.39 crore, which comprises Rs. 360.57 crore towards actual IDC including financial charges/processing fees and Rs. 151.82 crore towards IDC on excess equity, in terms of Regulation 18(2)(b) of the Tariff Regulations, 2024.

The reconciliation of the same is set out hereinbelow:

(Rs. in crore)

Particulars	Amount	Remarks
IDC including financial charges/processing fee	360.57	CA certificate annexed with affidavit dated 01.12.2025
IDC on excess equity	151.82	In terms of Regulation 18(2)(b) of the HERC Tariff Regulations, 2024
Total IDC	**512.39**	

9.11 That the Respondent's contention regarding non-submission of reconciliation, drawdown schedule, or supporting documents is factually incorrect and is denied. The Petitioner has already furnished a CA certificate for the purpose of prudence check and has also submitted updated tariff forms along with detailed year-wise & month-wise loans drawdown schedule (Form F-2.2 of the affidavit dated 26.12.2025). Accordingly, the IDC claim is fully substantiated with documentary evidence and is in accordance with the applicable regulatory framework.

Cost escalation due to delay-Not admissible.

9.12 That the contentions raised by the Respondent are misconceived, incorrect, and hence denied. There is no question of delay in the present case as admittedly, the project COD has been achieved almost 1 year prior to the SCOD under the PPA dated

5.3.2022. The Respondent has erroneously compared provisional estimates with actual post COD figures and has drawn incorrect conclusions regarding increase in cost. It is further submitted that the Petitioner is not claiming any escalation, IDC or pre-operative expenses on account of delay attributable to the Petitioner and the capital cost submitted is strictly based on actual expenditure incurred & duly supported by documentary evidence. Accordingly, the objections raised by the Respondent are without merit and liable to be rejected.

Missing bank statements and incomplete financial trail.

9.13 That the Petitioner has been maintaining 2 bank accounts at SBI Bharmour # 6782 and SBI Mumbai # 4774 during the construction period. All the transaction were being done from these 2 accounts only. The Petitioner has earlier furnished the bank statements as under:

SBI Bharmour	Apr'21 to COD	Page 3055 to 3146
SBI Mumbai	Oct'22 to COD	Page 3147 to 3208

Further, as desired by the Respondent, the statement of bank account with SBI, for the period Dec'21 to Sep'22, is also enclosed wherein first transaction starts at 2.5.2022 only.

DPR estimates vs. Claimed completion cost.

9.14 That the comparison drawn between the DPR estimate of Rs. 1,798.13 crore and the actual capital cost claimed by the Petitioner is misleading and devoid of proper context. The cost indicated in the DPR under clause 18.13 was a preliminary concept-stage estimate, prepared several years prior to execution of the project, based on limited geological investigations, tentative quantities, indicative design parameters and prevailing base-year price levels. It is a settled regulatory position that DPR estimates are merely indicative in nature and are subject to revision based on detailed engineering, actual site conditions, statutory requirements, financing arrangements, market rates, and other practical realities encountered during implementation of the project.

It is pointed out that the financial closure was achieved on 14.1.2021, with an estimated completion cost of Rs 2879 crores. The loan sanction letter dated 14.1.2021 bears testament to the said financial closure figure. As against the same, the petitioner's actual completed cost is Rs 2923 crore (excluding IDC on excess equity). The table below captures the comparison:

Rs. in Crore

Particulars	Capital cost as per financial closure	Actual capital cost as on COD
Land and Building	75	21
Civil & Hydro Mechanical Works	1,421	1,677
Electro Mechanical Works	279	348
Transmission	39	-
Preliminary Survey, Consultancy etc.	69	75
Other Hard Cost (Overheads, establishment, communication, etc.)	372	260
Upfront Premium	125	137
LADA Cost	41	45
Contingency Provision	46	-
Interest during Construction	395	361
Working Capital Margin	17	-
Sub total	**2,879**	**2,923**
Interest on excess Equity (Regulation 18(2)(b))	-	152
Total Project Cost	**2,879**	**3,075**

9.15 That the actual capital cost determination is based on audited accounts, actual expenditure incurred and capitalization supported by documentary evidence, all of which are subject to prudence check by this Hon'ble Commission. The increase in capital cost over the DPR estimate is attributable to various factors encountered during execution, including changes arising from actual geological conditions, revised scope and quantities, escalation in material & construction costs, statutory compliances, financing costs and other project-related requirements. Accordingly, a mere comparison of the DPR estimate with the final audited capital cost, without appreciating the nature and purpose of DPR estimates, is erroneous and the objections raised by the Respondent are liable to be rejected.

Additional capitalization Post-COD expenses – Inadmissible in initial capital cost

9.16 That the invoices referred to by the Respondent pertain to works forming part of the original scope of the project and have been submitted in support of the Petitioner's claim under Capital Work-in-Progress (CWIP). Although certain invoices may pertain to the post-CoD period, the underlying works are intrinsically connected with the main project works and are presently under execution/completion. The said expenditure pertains to the original scope of project and is admissible in accordance with the applicable regulatory framework governing capitalization. Accordingly, the Respondent's contention seeking exclusion of the said expenditure from the capital cost is misplaced and liable to be rejected.

Annual Fixed Charges (AFC)

Depreciation

9.17 That the Petitioner has already revised the form F-3 and submitted updated tariff forms vide affidavit dated 01.12.2025, wherein depreciation has been computed in accordance with the applicable provisions of the HERC Tariff Regulations, 2024. The Petitioner clarifies that the assets forming part of the generating station have been considered over the prescribed useful life of 40 years, in line with the applicable regulatory framework.

9.18 That in respect of assets for which specific useful life is not expressly provided under the HERC Tariff Regulations, the Petitioner has considered depreciation in accordance with the Appendix to the CERC Tariff Regulations, 2024 relating to depreciation rates. Accordingly, the allegations regarding incorrect depreciation methodology, front-loading of tariff, or deviation from regulatory principles are factually incorrect and denied. The depreciation claimed by the Petitioner is fully in accordance with the applicable regulations and subject to prudence check by this Hon'ble Commission.

Interest on loan

9.19 That the Petitioner has already furnished the complete details of the actual loan portfolio, including loan-wise drawdowns, applicable rate of interest and interest expenditure in Form F-2.2 of the tariff forms submitted vide affidavit dated 01.12.2025. The Petitioner has also placed on record the CA certificate along with audited financial information for the purpose of prudence check by this Hon'ble Commission.

9.20 That the computation of Interest on loan has been carried out strictly in accordance with the applicable provisions of the HERC Tariff Regulations 2024, based on actual borrowings and financing arrangements of the Project. Accordingly, the Respondent's contention alleging adoption of a higher rate of interest is vague, unsupported, and denied. The Interest on loan claimed by the Petitioner is duly supported by documentary evidence and is subject to prudence check by this Hon'ble Commission in accordance with the applicable HERC Tariff Regulations.

Return on Equity

9.21 That the contentions raised by the Respondent are misconceived, incorrect, and hence denied. That the Petitioner has claimed Return on Equity strictly in accordance with the applicable provisions of the HERC Tariff Regulations, 2024. The Petitioner has considered the RoE from 08.08.2025, being the final COD of the Project and the capitalization considered for tariff purposes is effective from the said date 8.8.2025. Further, the Petitioner had prepared and submitted a special purpose audited balance sheet along with the affidavit dated 01.12.2025 specifically for the purpose of prudence check of the capital cost by this Hon'ble Commission. The Petitioner has also furnished the COD certificates along with the aforesaid affidavit, which sufficiently establish the respective dates of Commercial Operation of the Project.

9.22 That the Respondent itself has acknowledged the regulatory position that RoE is required to be computed from the date of COD of the Project on a pro-rata basis. Accordingly, the Petitioner has computed and claimed RoE only from the final CoD date i.e. 08.08.2025 till the end of the financial year, in accordance with the applicable regulations. Therefore, the allegation that the claimed RoE is inadmissible for want of disclosures is factually incorrect and denied.

O&M Expenses.

9.23 That the Petitioner has duly provided the detailed break-up of all heads of expenditure forming part of the capitalization of the Project, along with supporting invoices and documentary evidence, for the purpose of prudence check by this Hon'ble Commission. The computation of O&M expenses has been made based on the capital cost claimed by the Petitioner and is subject to verification and prudence check in accordance with the applicable provisions of the HERC Tariff Regulations.

9.24 That the Petitioner has no objection if this Hon'ble Commission, while determining the admissible O&M expenses, recomputes the same after making such exclusions/adjustments towards IEDC, IDC, and R&R components as may be applicable under the extant regulatory mechanism. Accordingly, the allegation that the Petitioner has deliberately inflated the O&M expenses is incorrect and denied.

9.25 That the alleged inconsistency between the cost breakup provided in the affidavit dated 05.02.2026 and the figures reflected in Form F-2 is incorrect and arises from improper appreciation of the records placed on file. The Petitioner has already furnished the detailed cost break-up and supporting documents forming part of the capitalization of the Project.

9.26 Without prejudice to the above, and for the convenience of this Hon'ble Commission as well as the Respondent, the Petitioner is placing on record a detailed reconciliation between the affidavit dated 05.02.2026, Form F-2. Accordingly, the capital cost claimed by the Petitioner is fully reconcilable and verifiable from the documents placed on record, and the objections raised by the Respondent are without merit.

9.27 That the classification of expenditure under various heads in the affidavit dated 05.02.2026 has been made based on the accounting and capitalization records of the Project, duly verified by the Chartered Accountant for the purpose of prudence check by this Hon'ble Commission. The Petitioner has already furnished the detailed break-up of expenditure along with supporting documents and invoices. However, without prejudice to the aforesaid, the Petitioner submits that the determination of admissible O&M expenses, any exclusion or reclassification of R&R, IEDC, IDC or Environment & Ecology related expenses, may be undertaken by this Hon'ble Commission in accordance with the applicable HERC Tariff Regulations and prudence check mechanism.

Interest on working capital.

9.28 That the Petitioner has computed the Interest on Working Capital (IoWC) in accordance with the applicable provisions of the HERC Tariff Regulations, 2024, based on the tariff forms, financial information and supporting documents placed on record before this Hon'ble Commission. The detailed computation of IoWC forms is submitted with revised tariff forms vide affidavit dated 01.12.2025 and remains subject to prudence check by this Hon'ble Commission. It is further submitted that the Petitioner has already furnished the detailed break-up of expenditure and capitalization details for determination of admissible O&M expenses. Without prejudice to the aforesaid, the Petitioner submits that the admissible O&M expenses and consequently the IoWC, may be recomputed by this Hon'ble Commission in accordance with the applicable HERC Tariff Regulations and prudence check mechanism, including such exclusions or adjustments, if any, as may be considered appropriate under the regulatory framework

Income Tax

9.29 That the Petitioner has claimed the tax on Return on Equity (RoE) based on the applicable HERC tariff Regulations only. The issue regarding applicability of MAT rate or normal income tax rate would depend upon the tax regime applicable to the Petitioner from year to year, and the corresponding adjustment/reimbursement may be considered in accordance with the applicable regulatory framework. It is further submitted that furnishing tax challans or proof of tax payment for the entire tariff period of 35 years of the Project at this stage is not practically possible, as the same would depend upon future (actual) tax incidence. The Petitioner undertakes to furnish the relevant supporting documents and tax records, as may be applicable, at the appropriate stage. Further, any adjustment on account of income tax refund, if applicable, may also be dealt with in accordance with the applicable provisions and directions of this Hon'ble Commission.

Annual Fixed Cost

9.30 That the contentions raised by the Respondent are misconceived and denied. That the Petitioner has already replied to the issues raised by the Respondent under the respective heads of depreciation, Return on Equity, Interest on Loan, O&M expenses, and Interest on Working Capital in the foregoing paragraphs. The Petitioner has also placed on record the relevant tariff forms, audited financials, CA certificate and supporting documents for the purpose of prudence check by this Hon'ble Commission. The Annual Fixed Cost claimed by the Petitioner has been computed based on the applicable tariff framework and is subject to verification and determination by this Hon'ble Commission.

Capacity Charges & Energy Charges

9.31 That the Petitioner agrees that the tariff for the Project is required to be determined in accordance with the terms and conditions of the executed PPA and the applicable regulatory framework. The Petitioner has already furnished the relevant tariff forms, design energy details and supporting computations for consideration of this Hon'ble Commission. The issues relating to levelized tariff, treatment of secondary energy and compensation towards shortfall in design energy may be considered and determined by this Hon'ble Commission in accordance with the provisions of the PPA, applicable regulations, and prudence check. The Petitioner shall abide by such directions and methodology as may be determined by this Hon'ble Commission in this regard.

IDC and IEDC non-compliance.

9.32 That there is no delay attributable to the Petitioner in commissioning of the Project and therefore the allegations regarding inadmissibility of IDC on account of delay are misplaced. The Petitioner has computed and claimed IDC based on actual financing arrangements, drawdowns, and expenditure incurred for the Project, duly supported by the tariff forms, audited financials, CA certificate and supporting documents already placed on record for prudence check by this Hon'ble Commission. It is further submitted that the Petitioner has already furnished the detailed break-up of expenditure and certified invoices in support of capitalization of the Project. Without prejudice to the aforesaid, the Petitioner has no objection if this Hon'ble Commission undertakes appropriate prudence check and re-computation of IDC/IEDC and related components in accordance with the applicable regulations.

9.33 That it is an admitted position that the upfront premium and interest thereon has already been excluded by the Petitioner from the capital cost for the purpose of tariff determination. In such circumstances, the allegation raised by the Respondent regarding inclusion of penal interest under any other component of capital cost is merely presumptive in nature and unsupported by any specific reference to the records placed. The capital cost claimed by the Petitioner is based on the audited accounts, tariff forms, and supporting documents submitted before this Hon'ble Commission and remains subject to prudence check in accordance with the applicable regulatory framework.

9.34 That the Petitioner has already addressed the issue relating to classification/reclassification of expenditure under the relevant heads of IEDC and O&M expenses in the foregoing paragraphs. This Hon'ble Commission may examine the classification of such expenditure and undertake appropriate adjustment/re-computation as per HERC Tariff regulations 2024.

LADF Charges

9.35 That the Petitioner has furnished the detailed break-up of LADF charges, Survey & Investigation expenses and other related components along with supporting documents and invoices for the purpose of prudence check by this Hon'ble Commission. The expenditure has been reflected based on the documentary evidences and capitalization of the Project. The Petitioner respectfully submits that this Hon'ble Commission may examine the admissibility of such components, including any penal interest or financing elements, in accordance with the applicable regulatory framework and undertake such exclusions/adjustments, if considered necessary, while determining the admissible capital cost for tariff purposes.

9.36 That in respect of mismatch of land & building cost in Tariff Form F-2 & F-3, it is submitted that while capitalizing project, certain soft costs are allocated to the buildings head. This Hon'ble Commission may examine the classification and undertake appropriate re-computation as per HERC Tariff regulations 2024.

Useful life of project – Tariff to be determined for 40 years.

9.37 That the Petitioner has considered depreciation of the Project over a useful life of 40. It is further submitted that after expiry of the contracted PPA period of 35 years, the first right of refusal for purchase of power from the Project shall remain with the Respondent in terms of the PPA. Accordingly, the apprehension of unjust enrichment raised by the Respondent is misplaced and without merit.

Passing through of the fee paid for filing of present petition.

9.38 That the Petitioner in absence of specific regulation in HERC tariff Regulations, has relied upon the regulation 94 of the CERC Tariff Regulations 2024. Since the applicable tariff filing fee of Rs 1.20 crore is directly attributable to the present PPA with the Respondent, the Petitioner prays that the filing fee paid be allowed as pass through.

Change in Law

9.39 That clause 11.2.1 of the Power Purchase Agreement specifically provides that any change in law resulting in the costs and/or revenues of the Company directly attributable to the project being increased or decreased shall be subject to adjustment upon approval of the appropriate Commission.

The Petitioner has referred to the said change in law events strictly in terms of the provisions of the executed PPA. It is further submitted that no actual financial impact on account of the said events has been claimed in the present petition and the same has only been placed on record for appropriate consideration in accordance with the provisions of the PPA. The relevant extract of clause 11.2.1 of the PPA is reproduced hereinbelow for ready reference:

"11.2…….

11.2.1 The parties acknowledge and agree that if a Change in Law results in the company costs or revenue directly attributable to the project being decreased or increased, the Tariff Payment payable by purchase to the company shall be adjusted accordingly <u>after the approval of the Commission</u> subject to the provisions of Clause 9.1.2."

Proceedings of the Case: -

10 The Commission conducted multiple hearings between May 2025 and June 2026 (21.05.2025, 10.07.2025, 27.08.2025, 25.09.2025, 16.12.2025, 23.04.2026 and finally

on 16.06.2026) to evaluate the petition. Through a series of interim orders (dated 22.05.2025, 11.07.2025, 27.08.2025, 26.09.2025, 17.12.2025 and 23.04.2026), the Commission directed the Petitioner to provide comprehensive evidentiary support for its claims, which was duly provided. The petitioner has also filed thousands of verified invoices for Civil, Electro-Mechanical, and Hydro-Mechanical works, as the project was executed on a split contract basis. Additionally, the bank statements and audited financial information were also filed by the petitioner to establish a clear financial trail for expenditure. During the course of hearings, the parties mainly reiterated the contents of their petition/reply/rejoinder, which for the sake of brevity are not being reproduced here.

Commission's Analysis and Order: -

11 The Commission heard the arguments of the parties at length as well as perused the written submissions placed on record by the parties. In order to determine the tariff under Section 62 of the Electricity Act, 2003, in respect of 240 MW (3x80 MW) Kutehr Hydro Power Station located in Himachal Pradesh, the Commission has carefully examined the Regulations occupying the field (hereinafter referred to as 'HERC MYT Regulations, 2024'), terms and conditions of the PPA dated 05.03.2022 duly executed between the parties read with the implementation agreement dated 04.03.2011 as well supplementary Implementation Agreement dated 26.11.2018 signed by the petitioner with the Government of Himachal Pradesh for a period of 40 years from the date of CoD of the project.

12 The Commission observes that, upon preliminary scrutiny of the petition, certain additional information and supporting documents were sought from the petitioner, including comprehensive details of the actual capital cost incurred up to the Commercial Operation Date (CoD), duly substantiated with relevant documentary evidence. The aforesaid information was considered necessary for proper examination and adjudication of the issues involved in the present petition. The petitioner has duly filed the requisite information, which was taken into consideration in the present tariff determination proceedings. The Commission further notes that the tariff determination has been undertaken in accordance with the parameters specified under the HERC (Multi Year Tariff) Regulations, 2024, which have been applied in consonance with the principles enshrined under Section 61 of the Electricity Act, 2003.

13 The Commission further observes that the procurement from the present source i.e. 240 MW power from the Kutehr HEP was approved by this Commission (Case No. HERC/PRO-54 of 2019), vide its order dated 24.09.2020, subject to determination of tariff under Section 62 of the Electricity Act, 2003, with a ceiling tariff of Rs. 4.50/kWh at generator bus and STU charges capped at Rs. 0.38/kWh. The relevant part of the order is reproduced hereunder:-

"Taking the above discussions into consideration, the Commission approves procurement of power from the following sources in accordance with bids invited by HPPC vide EoI No. 1/HPPC/LT Hydro Power/500MW dated 03.07.2018:-

*A. JSW Energy (Kutehr) Ltd: 240 MW (3*80) Kutehr HEP, Himachal Pradesh, for 35 years and further at mutually agreed terms for a period beyond 35 years for the balance term of Implementation agreement with HP. The Project is having concession from Himachal Pradesh, Government for the period of 40 years. The tariff shall be determined by the Commission u/s 62 of the Act on an application to be filed by the Generator, after signing of PPA, with a ceiling tariff of Rs. 4.50 per kWh at Bus bar and STU Charges capped at Rs. 0.38/ kWh."*

Further, the Commission, in its order dated 09.08.2021 (Review Petition No. RA-10 of 2021), held that the levelised ceiling tariff offered by the Petitioner was Rs. 4.93/kWh, comprising Rs. 4.50/kWh ex-bus tariff, STU charges of Rs. 0.38/kWh and STU losses of Rs. 0.05/kWh. The relevant part of the order is reproduced hereunder:-

"9. Admittedly, as nothing to the contrary was argued or placed on record by the respondent i.e., HPPC, the levelized ceiling tariff offered by the petitioner for 35 years was Rs. 4.93/kWh inclusive of Rs. 4.50/kWh levelized ceiling tariff ex-generator's bus, Rs. 0.38/ kWh levelized STU charges and STU losses of Rs. 0.05 / kWh. Hence, the review petition is allowed. As already directed, in the impugned order, HPPC shall finalize the PPA's in accordance with the bid documents and submit the same for approval of the Commission."

In terms of the above orders, the PPA was duly executed between the parties on 05.03.2022. Clause 9.1.2 of the said PPA, provides as under:-

"9.1.2 Tariff:

i. The Purchaser shall pay to the Company for the energy supplied at a tariff as determined by the Commission as per the provisions of HERC Tariff Regulations *such that the levelized ceiling tariff ex-generator bus for the entire Term of this Agreement shall not exceed Rs. 4.50/KWh as approved by the HERC in its order dated 24.09.2020 in Petition no. HERC/PRO-54 of 2019 and order dated 09.08.2021 in Review Petition no. RA-10 of 2021, However, statutory levies/taxes subsequently imposed by the Government shall be reimbursed to the company by the purchaser."*

14 The Commission shall now proceed to examine each component relevant for the purpose of tariff determination, in accordance with the provisions of the HERC MYT Regulations, 2024.

14.1 **Capital cost:-**

The Commission has undertaken a detailed prudence check of the capital cost claimed by the Petitioner in accordance with Regulation 18 of the HERC MYT Regulations, 2024. The Commission has carefully examined the submissions of the Petitioner, audited financial statements, Chartered Accountant's certificate, independent auditor's certificate, invoices, bank statements, lender's documents and other records placed on record. The Commission has also considered the objections raised by the Respondent (HPPC) regarding the admissibility of various components of the claimed capital cost. Clause 18.1 of the HERC MYT Regulations, 2024 provides that the capital cost as determined by the Commission after prudence check in accordance with this regulation shall form the basis of determination of tariff for existing and new projects the capital cost shall include the following: -

(a) The expenditure incurred or projected to be incurred on original scope of work, including the interest during construction, financing charges and any gain or loss on account of foreign exchange rate variation on the loan during construction up to the date of commercial operation of the project, shall form the basis for determination of Tariff;

(b) Capitalized initial spares, for Hydro Generation Plants, subject to following ceiling norms as a percentage of the original project cost as on the cut-off date:

Generating Company	3. Hydro generating stations including pumped storage (PSP) hydro generating station	1.50%

Further, Regulation clause 18.2 of the HERC MYT Regulations, 2024, provides the following in respect of 'Additional Capital Expenditure': -

“18.2.1 The Commission may consider allowing, subject to prudence check, any additional capital expenditure incurred or projected to be incurred, after the commercial operation date of a project and up to the cut-off date, on the following provided the same was part of the original scope of work of the project: -

(a) Deferred liabilities without any carrying cost;

(b) Works deferred for execution without any escalation;

(c) Procurement of initial capital spares in the original scope of work without any escalation, subject to ceiling specified above;

(d) Foreign exchange rate variation

(e) Liabilities to meet award of arbitration provided that it is not on account of any fault of the generation company or the licensee, as the case may be;

(f) Liabilities on account of compliance of the order or decree of a court;

(g) Liabilities on account of change in law:

Provided that details of the works included in the original scope of work along with estimates of expenditure, un-discharged liabilities and works deferred for execution shall be submitted along with the application for determination of tariff after the date of commercial operation of the project;”

In the backdrop of the HERC Regulations occupying the field, the Commission observes that the Respondent (HPPC) has vehemently argued that the Petitioner has initially claimed an anticipated capital cost of Rs. 2,974.74 crore, which was revised post-COD to Rs. 3,075.01 crore (including IDC on excess equity). This reflects a significant 67% escalation over the initial Detailed Project Report (DPR) estimate of Rs. 1,798.13 crore. HPPC has further submitted that the Capital Cost for tariff determination shall be restricted to the completed cost excluding cost overrun and that any increase in IDC, pre-operative expenses or similar expenditure attributable to delay for reasons solely attributable to the Company shall not form part of the Capital Cost, in line with Clause 9.1.4 of the PPA.

Per-contra, the petitioner has submitted that DPR estimates are indicative and that final costs reflect actual geological conditions and site realities. The actual capital cost claimed by the petitioner is duly supported by audited accounts, a certificate issued by a Chartered Accountant, detailed invoices along with bank statements as well as all other records requisitioned by the Commission as well as the respondent (HPPC).

The Commission is of the considered view that, while undertaking prudence check of the capital cost, the overall viability of the project cannot be overlooked. The tariff determined by the Commission should bear a reasonable correlation with the cash flows of the generating station and should enable the generator to meet its legitimate debt servicing obligations and recover prudently incurred costs. At the same time, the tariff framework must ensure that no undue or windfall gains accrue to the generator beyond the return on equity permissible under the applicable Regulations. In this regard, the Commission has taken note of Clause 9.1.4 of the duly executed PPA wherein the petitioner expressly agreed that the capital cost for tariff determination would be restricted to the completed cost excluding cost overruns. Specifically, the PPA stipulates that any increase in IDC, pre-operative expenses, or other such expenses vis-à-vis the financial closure report of the lender's engineer shall not be claimed. The relevant clause 9.1.4 is reproduced below:-

" The company has agreed that the Capital Cost for the purpose of tariff determination shall be restricted to completed cost excluding cost overrun, being cost overrun shall be to the account of Company.

The Company agrees that any increase in IDC, pre- operative expenses or any other such expenses included in the capital cost vis-à-vis financial closure report of the lenders engineer, included in the capital cost incurred by the Company due to delay in COD for reasons solely attributable to the Company shall not be claimed by the Company as part of the capital cost in the tariff petition to be filed before the Commission.

The Company agrees that the cost of free power to the project State over and above that allowed as per Govt. of India notification shall be borne by the generator duly considering the deferment of free power for the initial 12 years as per the Supplementary Implementation Agreement dated 26.11.2018."

In order to examine, the argument of the respondent that the capital cost includes expenditure (IDC, pre-operative expenses or any other such expenses) due to delay in COD, the Commission has considered it appropriate to examine the SCOD as per PPA and date of actual CoD.

The duly executed PPA dated 05.03.2022 had defined the ‘Required Commercial Operation Date or Required COD or RCOD”, as under:-

“Means in relation to the project, the following number of months from the date of signing of PPA:

i. Unit 1- 47 months

ii. Unit 2- 50 months

iii. Unit 3 & COD of the project- 53 months”

The Commission further observes that the PPA was executed on 05.03.2022 and stipulated a Required Commercial Operation Date (RCOD) of 53 months from the date of execution of the PPA, i.e., 05.08.2026. The Project, however, achieved Commercial Operation on 09.08.2025, almost one year prior to the stipulated RCOD. The actual COD of the project (unit-wise), as provided by the Petitioner is as under: -

Units	**Actual COD**
Unit –I	01.08.2025
Unit –II	06.08.2025
Unit –III	09.08.2025

Consequently, the allegation of the Respondent that the Petitioner has claimed IDC and other expenses arising out of delay in achieving COD is not borne out from the record. The Commission is satisfied that no escalation in IDC or pre-operative expenses attributable to delay beyond the RCOD has been claimed by the Petitioner.

The Commission has also examined the objection of the Respondent regarding inclusion of expenditure under Capital Work-in-Progress (CWIP). Merely because certain invoices are dated subsequent to the Commercial Operation Date does not render such expenditure inadmissible. The material placed on record establishes that the said expenditure pertains to balance works forming part of the original approved scope of the Project and not to any change in scope or post-COD expansion. The Commission further notes that the Respondent has not placed any material on record to establish that the said expenditure pertains to any additional scope, change in scope, or post-COD expansion of the Project. In the absence of any cogent evidence to the contrary, the Commission finds no merit in the Respondent's objection seeking exclusion of the said expenditure from the admissible capital cost.

The Commission further finds that the contention of the Respondent regarding non-submission of cost break-up and justification for delay is factually incorrect. The Petitioner has furnished detailed cost particulars, documentary evidence and explanations in response to various queries raised by the Commission during the proceedings. The same have been duly considered while carrying out the prudence check of the capital cost.

The Commission has also examined the claim of Interest During Construction (IDC), financing charges and Incidental Expenditure During Construction (IEDC). The Petitioner has supported the claim through audited financial statements, Chartered Accountant's certificate, independent auditor's certificate, lender's records and other documentary evidence. The Commission is satisfied that the claim has been appropriately substantiated. Further, the claim of IDC on excess equity has been examined in light of Regulation 18(2)(b) of the HERC MYT Regulations, 2024, which permits capitalization of IDC by treating excess equity as normative loan. Accordingly, IDC on excess equity has been considered in accordance with the said Regulation, subject to the prudence check carried out by the Commission. The Petitioner has claimed IDC of Rs. 491.50 crore, which comprises Rs. 339.68 crore towards actual IDC including financial charges/processing fees and Rs. 151.82 crore towards IDC on excess equity, in terms of Regulation 18(2)(b) of the HERC MYT Regulations, 2024. The provisions of relevant regulation is reproduced hereunder:-

"18. CAPITAL COST

(1) …..

(2) The Capital Cost of a new project shall include the following:

(a) the expenditure incurred or projected to be incurred up to the date of Commercial operation of the project;

(b) Interest during construction and financing charges, on the loans (i) being equal to 70% of the funds deployed, in the event of the actual equity in excess of 30% of the funds deployed, by treating the excess equity as normative loan, or (ii) being equal to the actual amount of loan

in the event of the actual equity less than 30% of the funds deployed;"

Having examined the actual capital cost reflected in the 'Special Purpose Condensed Interim Balance sheet as on 08.08.2025' i.e. the Balance Sheet drawn as on the date of COD dated 13.10.2025 along with Independent Auditor's Certificate dated 13.11.2025 giving detailed breakup of capital cost, the Commission proceeds to determine the admissible capital cost.

Capital cost as per Balance sheet as on 08.08.2025, dated 13.10.2025: -

SNo.	Particulars	Total (Rs. cr)
1	Property, plant and equipment (**excluding infirm power**) Note 4A of the Balance Sheet	2581.88
2	Capital-work-in-progress as per Note 4B of the Balance Sheet	316.39
3	Gross value of other intangible assets as per Note 4C of the Balance Sheet	0.34
	Sub Total	**2898.61**
4	IDC on excess equity as normative loan 18(2)(b) of the HERC MYT Regulations, 2024	151.82
5	Finance charges (Unamortised finance cost as per Note 11 of the Balance Sheet)	20.89
	Total Project Cost as per Balance Sheet as on the date of COD	**3071.32**

Independent Auditor's Certificate dated 13.11.2025: -

Sl.No.	Particulars	Total (Rs.)
1	Total Capital cost including IDC, FC Cost (**excluding revenue from infirm power**)	2919.50
2	IDC on excess equity as normative loan 18(2)(b) of the HERC MYT Regulations, 2024	151.82
	Total Project Cost after excluding revenue from infirm power	**3071.32**

The Commission is of the considered view that determination of project-specific tariff under Section 62 of the Electricity Act, 2003 is governed by the cost-plus principle, under which the tariff is intended to compensate the generating company for the prudently incurred cost of generation in accordance with the applicable Tariff Regulations. Where complete details of the actual expenditure incurred are available before the Commission for scrutiny and prudence check, the Detailed Project Report (DPR), being only an estimate prepared at the pre-construction stage, cannot be regarded as the sole or determinative benchmark for the purpose of allowing or disallowing capital cost.

The Commission finds merit in the submissions of the petitioner that, while undertaking project-specific tariff determination under Section 62, the role of the Commission is to subject the actual expenditure claimed to a comprehensive prudence check so as to ascertain its genuineness, necessity, reasonableness and admissibility, and to disallow only such expenditure as is found to be inflated, excessive, unsupported or otherwise not prudently incurred. However, the generating company cannot be penalized merely because of adverse geological conditions, unforeseen site-specific constraints or other inherent risks associated with the development of hydroelectric projects, provided that the resultant expenditure is duly substantiated and found to be prudent.

The Commission has also duly considered the petitioner's contention that denial of recovery of the actual prudently incurred expenditure merely because the same exceeds the cost envisaged in the DPR would defeat the very objective of the cost-plus tariff framework under Section 62 and may adversely affect the financial viability of the project. The regulatory framework under Section 62 is intended to provide certainty to the project developer regarding recovery of prudently incurred costs together with the admissible return, subject to the provisions of the applicable Tariff Regulations.

Accordingly, the Commission is of the considered view that the mere fact that the actual capital cost exceeds the DPR estimate cannot, by itself, constitute a valid ground for disallowance of such expenditure. Nevertheless, every component of the capital cost claimed by the petitioner must successfully withstand the Commission's prudence check and satisfy the tests of necessity, reasonableness, prudence and financial discipline prescribed under the applicable Tariff Regulations. Only such prudently incurred expenditure shall be admitted for the purpose of tariff determination.

The Commission further observes that the capital cost of several hydroelectric projects commissioned across different geographical regions of the country has been significantly higher than that of the petitioner's project. By way of illustration, the project-specific capital cost of Tashiding HEP (Sikkim), Jorethang Loop HEP (Sikkim), URI-II HEP (NHPC), Chamera-III HEP (NHPC), Kameng HEP (NEEPCO, Arunachal Pradesh), Chanju-I HEP (IA Hydro, Himachal Pradesh), Larji HEP (HPSEB, Himachal Pradesh), Sawra Kuddu HEP (HPPCL, Himachal Pradesh), Karcham Wangtoo HEP (JSW Hydro, Himachal Pradesh), Koldam HEP (NTPC, Himachal Pradesh), Dulhasti HEP (NHPC, Jammu & Kashmir), Nimoo Bazgo HEP (NHPC, Jammu & Kashmir), and Chuzachen HEP (Gati Infrastructure, Sikkim) worked out to approximately Rs. 16.23 crore/MW, Rs. 24.57 crore/MW, Rs. 17.26 crore/MW, Rs. 16.26 crore/MW, Rs. 15.88 crore/MW, Rs. 27.15 crore/MW, Rs. 19.07 crore/MW, Rs. 24.22 crore/MW, Rs. 13.30

crore/MW, Rs. 13.49 crore/MW, Rs. 30.02 crore/MW, Rs. 36.33 crore/MW and Rs. 18.67 crore/MW, respectively.

The Commission notes that, although all the aforesaid projects were commissioned prior to the commissioning of the petitioner's hydroelectric project, the capital cost incurred in each of these projects exceeds the petitioner's project-specific capital cost of Rs. 12.97 crore/MW. Thus, the capital cost claimed by the petitioner cannot be said to be excessive or disproportionate when viewed in the context of comparable hydroelectric projects commissioned across the country.

In view of the foregoing discussion, the Commission considers it appropriate to admit, for the purpose of the present tariff determination proceedings, the actual capital cost of Rs. 3,071.32 crore incurred by the petitioner, as certified by the Chartered Accountant and reflected in the Special Purpose Condensed Interim Balance Sheet as on 08.08.2025. However, such admission shall remain subject to detailed prudence check with regard to the admissibility of Interest During Construction (IDC), penal interest, upfront fee and any other component of capital cost found to require scrutiny in accordance with the applicable Tariff Regulations.

Needless to add, the levelized tariff computed on the basis of the capital cost approved by the Commission shall remain subject to the ceiling tariff of Rs. 4.50/kWh.

The Commission observes that Regulation 18.5 (c) of HERC MYT Regulations, 2024, provides that upfront fee paid for getting the project site allotted shall not form part of the capital cost. The relevant regulation is reproduced hereunder:-

“18. CAPITAL COST

……….

(5) The following shall be excluded or removed from the capital cost of the existing and new project:

(c) In case of hydro generating station, any expenditure incurred or committed to be incurred by a project developer for getting the project site allotted by the State government by following a two-stage transparent process of bidding; and”

The Commission observes that the capital cost claimed by the petitioner includes an amount of Rs. 137.16 crore being the upfront premium paid to the Government of Himachal Pradesh. Regulation 18(5)(c) of the HERC MYT Regulations, 2024 specifically excludes from the capital cost any expenditure incurred by a hydro project developer towards obtaining allotment of the project site from the State Government. The Commission finds that the Petitioner has included an amount of Rs. 137.16 crore towards upfront premium paid to the Government of Himachal Pradesh. Since the said expenditure is expressly excluded under the Regulations, the same is disallowed and shall not form part of the approved capital cost.

The Commission further observes that the amount of Rs. 75.95 crore claimed under Survey and Investigation Expenses includes compound/penal interest amounting to Rs. 70.18 crore payable to HPSEBL. Such penal interest has arisen on account of delayed payment obligations and cannot be regarded as a prudent capital expenditure to be passed on to electricity consumers. Accordingly, the penal interest amounting to Rs. 70.18 crore is disallowed.

The Commission has also examined the claim of IDC in light of Clause 9.1.4 of the PPA. The records reveal that financial closure was achieved on 14.01.2021 with an estimated project cost of Rs. 2,879 crore, including IDC of Rs. 395.00 crore, as assessed by the lender's engineer. As against the said amount, the Petitioner has claimed IDC of Rs. 491.50 crore. In terms of the express stipulation contained in Clause 9.1.4 of the PPA, IDC over and above the amount recognized at the time of financial closure is not admissible for tariff determination. Accordingly, IDC amounting to Rs. 96.50 crore is disallowed.

In view of the foregoing analysis and after carrying out the requisite prudence check in accordance with Regulation 18 of the HERC MYT Regulations, 2024, the Commission admits the capital cost for the purpose of tariff determination at Rs. 2,767.48 crore. The approved capital cost has been arrived at by considering the actual project cost of Rs. 3,071.32 crore (which already stands reduced by the revenue realized from the sale of infirm power) and deducting therefrom the inadmissible expenditure comprising upfront premium of Rs. 137.16 crore, penal interest of Rs. 70.18 crore, and disallowed Interest During Construction (IDC) of

Rs. 96.50 crore. The Commission further observes that the Central Electricity Authority (CEA) had accorded techno-economic concurrence to the project vide its Office Memorandum dated 31.08.2010. Since the capital cost admitted by the Commission, after the aforesaid prudence check, works out to Rs. 2,767.48 crore, which is below the threshold of Rs. 3,000 crore, obtaining any fresh or revised concurrence/approval from the CEA on account of the admitted capital cost is not warranted. Accordingly, the approved project-specific capital cost works out to Rs. 11.53 crore/MW, which is significantly lower than the capital cost of several comparable hydroelectric projects commissioned across different geographical regions of the country. The Commission is, therefore, satisfied that the capital cost admitted herein is prudent, reasonable and in conformity with the provisions of the HERC MYT Regulations, 2024, and accordingly forms the basis for determination of tariff in the present proceedings.

14.2 **Design Energy:-**

The Commission has examined the submissions of the Petitioner and the objections raised by the Respondent regarding the Design Energy of the Kutehr Hydro Electric Project.

Under Regulation 3.25 of the HERC MYT Regulations 2024, Design Energy is defined as the quantum of energy that could be generated in a 90% dependable year with 95% availability of the installed capacity of the station. The determination of this parameter is critical as it serves as the denominator for calculating the energy charge rate.

The Petitioner initially claimed a Design Energy of 954.70 MU. The Petitioner submitted that while the Central Electricity Authority (CEA), in its concurrence letter dated 31.08.2010, had approved a Design Energy of 969 MU based on an aquatic life release of 2.12 cumec, this release was subsequently revised to 2.95 cumec to comply with Environmental Clearance conditions. Consequently, the Petitioner argued that the Gross Design Energy should be adjusted downward to 954.70 MU for tariff calculations.

Per contra, the Respondent (HPPC) argued that the Design Energy set out in the Techno-Economic Clearance (TEC) of the CEA must be strictly considered for the fixation of tariff. HPPC contended that a unilateral downward revision of Design Energy by the Petitioner without fresh CEA concurrence would impose an undue financial burden on consumers by increasing the per-unit tariff.

In its rejoinder dated 27.05.2026, the Petitioner, based on subsequent legal opinion, agreed with the Respondent's position and stated that the Design Energy may be considered as 969 MU, as originally approved by the CEA.

In view of the above, the Commission observes that both the Petitioner and the Respondent are ad idem on the adoption of 969 MU as the Design Energy for the Project. Accordingly, the Commission considers it appropriate to determine the tariff based on the Design Energy of 969 MU, being the Design Energy approved by the Central Electricity Authority and mutually accepted by both the parties. The said Design Energy represents the energy that can be generated in a 90% dependable year corresponding to 95% availability of the installed capacity of the generating station and is, therefore, adopted for the purpose of tariff determination.

14.3 **Auxiliary Energy Consumption**

Regulation 35.3 of the HERC Tariff Regulations, 2024 prescribes the normative auxiliary energy consumption applicable to hydro generating stations. The Commission notes that the Kutehr Hydro Electric Project is an underground hydro generating station equipped with a static excitation system. Accordingly, as claimed by the petitioner, in terms of the said Regulations, the normative auxiliary energy consumption of 1.20% has been considered for the purpose of tariff determination.

14.4 **Saleable Design Energy**

The Commission observes that clause 5.3.1 of the Implementation Agreement (IA) dated 04.03.2011, contains the provision of free power to the State of Himachal Pradesh as under:-

"The royalty in the shape of free power shall be levied @ 12% of the Deliverable Energy of the Project for the period starting from the date of synchronization of the first

generating unit and extending upto 12 years from the date of Scheduled Commercial Operation of the Project. @ 18% of Deliverable Energy of the Project for a period of next 18 years and @30% of the Deliverable Energy for the balance Agreement Period beyond 30 years. The royalty in the shape of free power shall start accruing to the First Party from the Scheduled Commercial Operation Date/synchronization of first generating unit, whichever is earlier".

Further, vide its notification dated 15.05.2018, the Government of Himachal Pradesh had revised provisions pertaining to Free Power royalty. Therefore, the Petitioner entered the Supplementary IA dated 26.11.2018 wherein the Clause 5.3.1 was revised as under:

"The royalty in the shape of free power shall be levied @ 12% of the Deliverable Energy of the Project for the period starting from the date of synchronization of the first generating unit and extending upto 12 years from the date of Scheduled Commercial Operation of the Project. @ 18% of Deliverable Energy of the Project for a period of next 18 years and @30% of the Deliverable Energy for the balance Agreement Period beyond 30 years. The royalty in the shape of free power shall start accruing to the First Party from the Scheduled Commercial Operation Date/synchronization of first generating unit, whichever is earlier.

Provided further that the First Party vide notification No. MPP (F)-2/2005-X dated 15.05.2018 has deferred Free Power Royalty for the critical period of initial 12 years i.e. during first time band of the Project. The quantum to be deferred shall be recovered in the next 28 years i.e. during the period starting from 13th year and extending till completion of 40th year of commissioning at a uniform percentage rate."

In line with the supplementary IA dated 26.11.2018, Clause 9.1.4 of PPA provides as under:

"The company agrees that the cost of free power to the project State over and above that allowed as per Govt. of India notification shall be borne by the generator duly considering the deferment of free power for the initial 12 years as per the supplementary Implementation Agreement date 26.11.2018."

The Commission has examined the submissions of the Petitioner regarding computation of saleable design energy and the treatment of free power obligation under the Implementation Agreement. The Petitioner has submitted

that, in terms of the provisions of the Implementation Agreement, no free power is payable to the Government of Himachal Pradesh during the first twelve years of operation. However, the free power applicable for the initial twelve-year period at the rate of 12% is required to be compensated during the remaining twenty-eight years of the Agreement Period. Accordingly, an additional free power of 5.14% (12 × 12 ÷ 28) has been considered from the 13th year onwards, resulting in an aggregate free power obligation of 17.14% (12% + 5.14%) from the 13th year till the expiry of the Agreement Period. The Commission has examined the relevant provisions of the Implementation Agreement and finds merit in the methodology adopted by the Petitioner. Accordingly, the free power obligation has been considered at Nil for the first twelve years and at 17.14% from the 13th year onwards for the purpose of determination of saleable design energy.

The Petitioner has further submitted that the contribution towards the Local Area Development Fund (LADF) at the rate of 1% has not been considered while computing the saleable design energy on the ground that the levy was quashed by the Hon'ble Himachal Pradesh High Court vide judgment dated 19.06.2012. The Commission observes that the said judgment is presently under challenge before the Hon'ble Division Bench of the High Court in LPA No. 358 of 2012. However, no stay has been granted against the operation of the judgment. The Commission is of the considered view that the tariff determination exercise in the present proceedings has to be based on the prevailing legal position. Since the levy of LADF is presently not in operation, the Commission holds that exclusion of the LADF component from the computation of saleable design energy is justified at this stage. However, the same shall remain subject to the final outcome of LPA No. 358 of 2012 or any subsequent judicial pronouncement on the issue.

Based on the above, after considering the design energy of 969 MU, auxiliary consumption of 1.20% and the applicable free power obligations, the Commission approves the saleable design energy as under: -

Particulars	1st to 12th year	13th to 30th year	31st to 35th year
Design Energy (MU)	969	969	969
Less: Aux Consumption @1.20% (MU)	11.63	11.63	11.63
Net Design Energy after Aux Consumption (MU)	957.37	957.37	957.37

Particulars	1st to 12th year	13th to 30th year	31st to 35th year
Less: Free Power (%)	0%	17.14% (12% + 5.14%)	17.14% (12% + 5.14%)
Less: Free Power (MUS)	-	164.09	164.09
Saleable Design Energy (MU)	957.37	793.28	793.28

14.5 Depreciation

Regulation 23 of the HERC Tariff Regulations 2024 provides as under:

“23. DEPRECIATION

For the purpose of tariff determination, the depreciation shall be calculated in the following manner: -

(a) The value base of asset shall be the historical capital cost of the asset as admitted *by the Commission. The historical capital cost shall include additional capitalization including foreign exchange rate variation, if any already allowed by the Commission up to 31st March of the relevant year.*

(b) The residual 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 the salvage value for IT equipment and software shall be considered as NIL and 100% value of the assets shall be considered depreciable.

(c) Depreciation shall be calculated annually over the useful life of the asset at the rates specified in Appendix I up to 31st March of the 12th year from the date of commercial operation of the asset.

From 1st April of 13th year from the commercial date of operation of the asset, the remaining depreciable value if any out of the 90% of the capital cost of the asset shall be equally spread over the balance useful life of the asset.

The deprecation rates given in Appendix-I will be applicable w.e.f. 1.04.2025 only. The depreciation, in case of existing assets, up to 31.03.2025 shall be considered as already allowed and shall not be re– visited.

Provided that the rate provided in Appendix I, are the upper ceiling of the rate of depreciation to be provided up to 12th year from the date of COD and the developer shall have the option of indicating, while seeking approval for tariff, lower rate of depreciation, subject to the aforesaid ceiling.

(d) Land shall not be considered as a depreciable asset and cost shall be excluded from the capital cost while computing depreciable value of asset.

(e) Depreciation shall be chargeable from the first year of commercial operation. In case of commercial operation of the asset for part of the financial year, then the depreciation shall be charged on pro rata basis;
(f) Depreciation shall not be allowed on assets (or part of assets) funded by consumer contribution (i.e., any receipts from consumers that are not treated as revenue) and capital subsidies / grants.
Provision for replacement of such assets shall be made in the capital investment plan.
(g) Provided also that the capital cost of the assets of the hydro generating station for the purpose of computation of depreciated value shall correspond to the percentage of the sale of electricity under long-term power purchase agreement at regulated tariff.
(h) Provided also that any depreciation disallowed on account of lower availability of the generating station or unit or transmission system, as the case may be, shall not be allowed to be recovered at a later stage during the useful life or the extended life."

The project is to be handed over to the Government of Himachal Pradesh on the expiry of the IA dated 04.03.2011 and the petitioner would not be able to avail the benefit of salvage value. Clause 3.2 of the IA dated 04.03.2011 provides as under:-
"*3.2 Agreement Period*
(a) This Agreement shall remain in force upto a period of 40 years from the Schedule Commercial Date of the Project (Agreement Period) unless terminated earlier in accordance with the provisions of this agreement.
(b) On completion of the Agreement Period, the Project shall revert to the First Party free from all encumbrances together with all land, buildings, plant, machinery, spare parts and all assets of the Project which have been charged to the Projects cost and the First Party shall operate and maintain the Project in entirety and the Project shall not be further handed over to any private party."

The Commission in its order dated 23.02.2022 (HERC/PRO-41 of 2018) in the matter of approval of generation tariff of 110 MW Chuzachen HEP and order dated 08.05.2026 (HERC/Petition No. 69 of 2025) under remand back from Hon'ble APTEL, has allowed 100% depreciation in similar case where the project is to be transferred to the State Government after completion of its useful life at zero cost. The relevant part of the order is reproduced hereunder:-

“In the present case depreciation has been considered for the entire admitted capital cost, as the project in the present case on Build Own Operate and Transfer (BOOT). Hence, the promoter (petitioner) will not get the benefit of salvage value and the power project will have to be transferred to the Sikkim Government after completion of its useful life. This dispensation is also in line with the principle adopted by the Commission while determining generation tariff for two similarly placed HEPs in Sikkim.” (Order dated 23.02.2022)

“…..In the present case the Implementation Agreement (“IA”) was executed between the petitioner and the Government of Sikkim (“GoS”) dated 14.11.2003 provides that the project is required to be returned back after 35 years from COD, unless extended otherwise, ‘free of cost’ to the State Government. Therefore, the Commission allows 100% recovery of the admitted capital cost through depreciation without considering 10% salvage value because the developer is contractually obligated to hand over the asset to the state without retaining its residual value.

Having held as above, the Commission is also considerate of the fact that useful life of the Hydroelectric power project is far more than 35 years. Therefore, upon the extension of life of the power project of the petitioner, the respondent (HPPC) shall have first right of refusal to extend the PPA and draw power at the HERC determined tariff.”

The Commission has carefully considered the submissions of the Petitioner regarding depreciation and the request for allowing depreciation on the entire capital cost of the Project instead of restricting the depreciable value to 90% of the historical capital cost as provided under Regulation 23 of the HERC Tariff Regulations, 2024. Regulation 23(b) of the HERC Tariff Regulations, 2024 unequivocally provides that the residual value of an asset shall be considered as 10% and depreciation shall be allowed up to a maximum of 90% of the historical capital cost of the asset, except in the case of IT equipment and software where the salvage value has been prescribed as Nil. Further, Regulation 23(c) prescribes the methodology for computation of depreciation during the useful life of the assets. Thus, the Regulations contemplate a residual value of 10% as the general norm for tariff determination. The Petitioner has, however, submitted that the Project has been developed under the Build, Own, Operate and Transfer

(BOOT) model and, in terms of Clause 3.2 of the Implementation Agreement dated 04.03.2011 executed with the Government of Himachal Pradesh, the Project, together with all land, buildings, plant, machinery and other assets, shall stand transferred to the Government of Himachal Pradesh upon expiry of the Agreement Period without any consideration. Accordingly, the Petitioner has contended that it would not derive any benefit of the residual or salvage value of the Project assets and, therefore, depreciation ought to be allowed on the entire admitted capital cost.

The Commission observes that the aforesaid contention is supported by the provisions of the Implementation Agreement, which mandate transfer of the Project and all its assets to the State Government free from all encumbrances at the end of the concession period. Consequently, the Petitioner would not retain ownership of the Project assets so as to realize any residual or salvage value after completion of the concession period.

The Commission further notes that while determining the generation tariff of the 110 MW Chuzachen Hydro Electric Project in the Order dated 23.02.2022 (Case No. HERC/PRO-41 of 2018) and order dated 08.05.2026 (HERC/Petition No. 69 of 2025) under remand back from Hon'ble APTEL, depreciation was allowed on the entire admitted capital cost, taking into consideration the BOOT nature of the project and the fact that the developer would not receive any salvage value upon transfer of the Project to the State Government. The Commission had adopted a similar approach in respect of other hydro projects developed under comparable concession arrangements. The Commission is of the considered view that the objective of providing for a residual value under the depreciation framework is to recognize the value expected to remain with the asset owner at the end of its useful life. In the present case, owing to the mandatory transfer of the Project to the Government of Himachal Pradesh without any consideration, the Petitioner would not be in a position to realize such residual value. Therefore, strict application of the 10% residual value prescribed under Regulation 23(b), in the peculiar facts of the present case, would result in the Petitioner being deprived of recovery of the corresponding portion of the capital cost through tariff.

Accordingly, considering the BOOT nature of the Project and the provisions of the Implementation Agreement requiring transfer of the Project to the Government of Himachal Pradesh without any consideration at the end of the Agreement Period, in exercise of the powers conferred under Regulation 82 of the HERC MYT Regulations, 2024, to relax the provisions of the Regulations, the Commission allows recovery of 100% of the admitted capital cost through depreciation without considering the residual/salvage value of 10% in respect of the Project assets that are to be transferred to the State Government. However, depreciation has been computed in accordance with the methodology and depreciation rates specified under the HERC MYT Regulations, 2024.

The Commission observes that the useful life of the hydro generating station is 40 years. Accordingly, depreciation on Plant & Machinery and Buildings has been spread over the useful life of the Project i.e., 40 years. In respect of Office Equipment, Furniture & Fixtures, IT Equipment and Vehicles, whose useful life is shorter than the useful life of the Project, depreciation has been allowed over the useful life of the respective assets in accordance with the depreciation rates specified in the HERC MYT Regulations, 2024. Further, no depreciation has been allowed on the admitted cost of freehold land amounting to Rs. 12.08 crore, as land is not a depreciable asset in terms of Regulation 23(d) of the HERC MYT Regulations, 2024.

The Commission further observes that vehicles would continue to remain the property of the Petitioner and are not covered under the transfer provisions of the Implementation Agreement. Accordingly, depreciation on vehicles has been computed by considering the prescribed residual/salvage value of 10%, in accordance with Regulation 23(b) of the HERC MYT Regulations, 2024.

The Commission has also taken note of Regulation 23(e) of the HERC MYT Regulations, 2024, which stipulates that depreciation shall be chargeable from the first year of commercial operation and, where commercial operation occurs during part of a financial year, depreciation shall ordinarily be allowed on a pro-rata basis. In the present case, the Commercial Operation Date (CoD) of the

Project is 09.08.2025 and the term of the Power Purchase Agreement is 35 years. The tariff determined by the Commission is also subject to the ceiling tariff of Rs. 4.50/kWh.

The Commission is of the considered view that computing depreciation for only 235 days during the first financial year and carrying forward the balance depreciation to the remaining 130 days of the 36th year would serve no practical purpose and would unnecessarily complicate tariff administration. Therefore, in exercise of the powers conferred under Regulation 81 of the HERC MYT Regulations, 2024, to remove difficulties in giving effect to the provisions of the Regulations, the Commission determines depreciation on a project-year basis commencing from the Commercial Operation Date. Accordingly, the first year of depreciation and tariff shall be reckoned for the period from 09.08.2025 to 08.08.2026, the second year from 09.08.2026 to 08.08.2027, and so on for the balance tariff period.

The Commission further directs that, upon expiry of the Power Purchase Agreement and in the event the Project continues to operate beyond the Agreement Period, HPPC shall have the first right of refusal for procurement of power from the Project. In such an event, the tariff for supply of power shall be determined by the Commission in accordance with the applicable Regulations prevailing at the relevant time.

14.6 **Interest on Term Loan**

The provisions regarding interest on term loan has been provided under Regulation 21 of the HERC Tariff Regulations 2024. The same is reproduced as under: -

"21. INTEREST ON LOAN CAPITAL

21.1 Existing loans

(i) Interest on loan capital shall be computed loan-wise for existing loans arrived in a manner specified in Regulation 19 and shall be as per the rates approved by the Commission.

(ii) The loan outstanding as on 1st April of each financial year shall be worked out as the gross loan in accordance with Regulation 19 by deducting the cumulative

repayment as admitted by the Commission up to 31st March of previous financial year from the gross normative loan;

(iii) The rate of interest shall be the weighted average rate of interest on institutional loans calculated on the basis of the actual loan portfolio at the beginning of each year applicable to the project. In case the weighted average rate is not available, the interest rate approved by the Commission in its earlier tariff order shall be allowed.

Provided 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 shall be considered;

Provided further that if the generating plant/project does not have actual loan, then the weighted average rate of interest of the generating company/licensee as a whole shall be considered.

(iv) The interest on loan shall be calculated on the normative average loan of the year by applying the weighted average rate of interest;

(v) The generating company and the licensee shall from time to time review their capital structure i.e. debt and equity and make every effort to restructure the loan portfolio as long as it results in net savings on interest. The costs associated with such re-financing shall be borne by the beneficiaries and the net savings (after deducting the cost of re-financing) shall be subjected to incentive / penalty framework as mentioned in the Regulation 12 which shall be dealt with at the time of mid-year performance review/true-up.

(vi) The changes to the loan terms and conditions shall be reflected from the date of such refinancing and benefit passed on to the beneficiaries;

(vii) In case of any dispute relating to re-financing of loan, any of the parties may approach the Commission with proper application along with all the relevant details. During the pendency of any dispute, the beneficiaries shall not withhold any payment on account of orders issued by the Commission.

(viii) In case any moratorium period on repayment of loan is availed of by the generating company or the licensee, depreciation provided for in the tariff during the years of moratorium shall be treated as repayment during those years and interest on loan capital shall be calculated accordingly.

Provided that the repayment for each year of the control period shall be deemed to be equal to the depreciation allowed for the corresponding year.

21.2 ***New loans (on or after 1st April 2025)*** *(i) Rate of interest on new loans i.e. on or after 01.04.2025 shall be equal to the marginal cost of funds-based lending rate (MCLR) of the SBI plus a maximum of 150 basis points w.r.t. 1st April of the relevant financial year. They shall however, be required to submit due justification to the Commission for the terms and conditions of the loans raised by them including the loan sanction letter from the banks/lending institutions, indicating the applicable rate of interest.*

Provided that interest and finance charges on works in progress shall be excluded and shall be considered as part of the capital cost;

Provided further that neither penal interest nor overdue interest shall be allowed for computation of Tariff

(ii) Any variation above or below the allowed interest rate shall be subject to the incentive and penalty framework specified in Regulation 12. The incentives on refinancing should be net of costs.

(iii) The amount of loan shall be arrived in the manner as specified in Regulation 19 and shall be based on the approved capital investment plan.

(iv) In case any moratorium period on repayment of loan is availed of by the generating company or the licensee, depreciation provided for in the tariff during the years of moratorium shall be treated as repayment during those years and interest on loan capital shall be calculated accordingly

21.3. The interest computation shall exclude interest on loan amount, normative or otherwise, to the extent of capital cost funded by Consumer Contributions, Grants or Deposit Works carried out by Transmission Licensee or Distribution Licensee or Generating Company, as the case may be.

21.4. Interest shall be allowed on the amount held as security deposit held in cash from Transmission System Users, Distribution System Users and Retail consumers, at the Bank Rate as on 1st April of the financial year in which the petition is filed provided it is payable be the transmission/distribution licensee.

The Petitioner has claimed rate of interest of 9.70-10.15% for calculation of interest on loan.

Per-contra, the respondent (HPPC) has argued that the rate of interest of 10.15% p.a. considered by the petitioner for determination of tariff, is on higher side in comparison of interest rates on loans available in today's scenario. The weighted average rate of interest, on existing loans availed by the petitioner, works out to nearly 9.72% p.a. The rate of interest has to be considered as lower of the actual or normative.

The Commission has examined the rival contentions. A Normative debt-equity ratio of 70:30 shall be considered for the purpose of determination of Tariff, in line with Regulation 19 of the HERC MYT Regulations 2024. With regard to the rate of interest on term loan, the Petitioner has claimed an interest rate of 10.15% per annum, whereas the Respondent has contended that the interest rate should be restricted to the lower of the actual weighted average rate of 9.72% or the normative rate admissible under the HERC MYT Regulations, 2024.

The Commission has examined Regulation 21.2 of the HERC MYT Regulations, 2024, which provides that the rate of interest on loan shall be equal to the Marginal Cost of Funds-based Lending Rate (MCLR) of the State Bank of India plus a maximum of 150 basis points, prevailing as on 1st April of the relevant financial year.

The Commission further observes that, as per the sanction letter dated 14.01.2021 issued by the State Bank of India, the applicable lending rate for the Petitioner, based on its external credit rating of AA+ (as claimed by the petitioner), was 0.75% above the six-month SBI MCLR. The Commission notes that the six-month SBI MCLR prevailing as on 1st April, 2026 was 8.60% per annum. Accordingly, the admissible rate of interest on term loan works out to 9.35% per annum (8.60% + 0.75%), which is within the ceiling prescribed under Regulation 21.2 of the HERC MYT Regulations, 2024.

Since the actual rate claimed by the Petitioner (10.15%) exceeds the rate admissible under the Regulations, the Commission restricts the interest on term loan to 9.35% per annum for the purpose of tariff determination.

14.7 **Return on Equity**

The Commission observes that the provisions regarding Return on Equity (RoE) have been provided under Regulation 20 of the HERC MYT Regulations, 2024, reproduced hereunder:-

“20. Return on Equity

20.1. RoE for generation transmission and distribution, shall be allowed, after adding a premium over the “Base Rate (BR)“ based on the performance (both financial as well as operational parameters) of the power utilities, subject to a cap as under: -

(a) Hydro Generators: BR + 6.5% = up to 13 %

Provided that the HEP with pondage or pump storage (PSP) will be eligible for an additional 1% RoE.

…….

Provided that the Base Rate (BR) in these Regulations shall be construed as last 2 years average rate (as on 1st April of the relevant financial year) of 10 years Government of India bond.”

The petitioner has submitted that Return on Equity is being claimed in accordance with the provisions of the HERC Tariff Regulations, 2024, from 09.08.2025, being the final COD of the Project.

Per-contra, the respondent (HPPC) has averred that RoE is to be computed from the date of COD till the end of the financial year on a pro-rata basis, on COD-wise asset capitalization details.

The Commission has carefully examined the submissions of the Petitioner and the objections raised by the Respondent with regard to the computation of Return on Equity (RoE).

As already decided in the preceding paragraphs of this Order, the Commission has adopted a normative debt-equity ratio of 70:30 in accordance with Regulation 19 of the HERC MYT Regulations, 2024. The Commission has also held that, in exercise of powers under Regulation 81 of the HERC MYT Regulations, 2024, the first year of tariff shall be reckoned for the period from 09.08.2025 to 08.08.2026, the second year from 09.08.2026 to 08.08.2027, and so on for the balance tariff period. In view of the above, the Commission finds no merit in the contention regarding COD-wise asset classification for the purpose of computation of Return on Equity. Since the tariff has been determined by considering 09.08.2025 as the Commercial Operation Date of the Project and the

admitted capital cost has been capitalized with effect from the said date, Return on Equity shall also be computed on the admitted equity corresponding to the capital cost as on 09.08.2025.

The Commission has further examined the provisions of Regulation 20 of the HERC MYT Regulations, 2024 relating to Return on Equity. In terms of the said Regulation, the base rate is required to be computed as the average of the 10-year Government of India Bond Yield for the preceding two years. Based on the applicable data for the period from 01.04.2024 to 31.03.2026, the base rate works out to 6.68%. The Commission further observes that Regulation 20 permits a premium of 6.50% over the base rate, subject to an overall ceiling of 13%. Accordingly, the admissible Return on Equity works out to 13.18% (6.68% + 6.50%), which is restricted to the regulatory ceiling of 13%.

Further, in terms of Regulation 20 of the HERC MYT Regulations, 2024, an additional 1% Return on Equity is admissible for hydro generating stations with pondage. Since the Kutehr Hydro Electric Project is a hydro generating station with pondage, the Petitioner is entitled to the additional Return on Equity of 1%.

Accordingly, the Commission approves Return on Equity at the rate of 14% per annum, to be computed on the normative equity component equivalent to 30% of the admitted capital cost, for the purpose of tariff determination in the present proceedings.

14.8 **Interest on working capital**

Regulation 22 of the HERC MYT Regulations, 2024, governing the interest on working capital is reproduced hereunder:-

"22. INTEREST ON WORKING CAPITAL

…..

…..

III. Hydro Generating Station (including Pumped Storage Hydro Generating Station) and Transmission System: -

(a) Receivables equivalent to 1 month of annual fixed cost;

(b) Maintenance spares @ 15% of operation and maintenance expenses including security expenses; and

(c) Operation and maintenance expenses, including security expenses for one month
Provided that Interest on Working Capital for generators shall be allowed on the basis of average PLF / CUF in the preceding 3 years.
Provided further that True up of the interest on working capital shall be limited to the actual interest on working capital.
"22.2 Rate of Interest
Rate of interest on working capital shall be equal to the MCLR of the relevant financial year plus a maximum of 150 basis points. However, while claiming any spread, the generator and the licensees shall submit loan sanction letter from the banks/ lending institutions, indicating the applicable rate of interest.
For the purpose of truing up, the actual weighted average Rate of Interest will be considered on the normative working capital by the Commission, subject to the ceiling margin as indicated above."

The Petitioner has submitted that it has claimed the Interest on Working Capital (IoWC) in accordance with the applicable provisions of the HERC Tariff Regulations, 2024, based on the tariff forms, financial information and supporting documents placed on record. The Petitioner has further submitted that the admissible O&M expenses and consequently the IoWC, may be recomputed by this Hon'ble Commission in accordance with the applicable HERC Tariff Regulations and prudence check mechanism, including such exclusions or adjustments, if any, as may be considered appropriate under the regulatory framework.

Per-contra, the respondent (HPPC) has submitted that the Petitioner's claim of IoWC is based on inflated O&M expenses claimed. Since both one month's O&M expenses and maintenance spares at 15 percent under HERC Regulation 22.1 directly depend upon admissible O&M expenses, any inflation in O&M artificially enlarges these components and thereby increases the receivables base, resulting in a cascading effect that inflates the overall IoWC computation at the threshold.

The Commission has carefully considered the submissions of the Petitioner and the objections raised by the Respondent regarding the computation of Interest on Working Capital (IoWC).

The Commission observes that the normative working capital for the generating station is required to be computed strictly in accordance with Regulation 22 of the HERC MYT Regulations, 2024. Accordingly, the working capital has been determined by considering:-

(a) Operation and Maintenance (O&M) expenses for one month;

(b) Maintenance spares equivalent to 15% of the annual Operation and Maintenance expenses; and

(c) Receivables equivalent to one month of fixed and variable charges.

The Commission further observes that, as already decided in the preceding paragraphs of this Order, the admissible rate of interest on term loan has been determined at 9.35% per annum. In terms of Regulation 22 of the HERC MYT Regulations, 2024, the same rate is applicable for computation of Interest on Working Capital.

Accordingly, the Commission has computed the Interest on Working Capital by applying an interest rate of 9.35% per annum on the normative working capital determined in accordance with Regulation 22 of the HERC MYT Regulations, 2024. The same has been considered for the purpose of tariff determination in the present proceedings.

14.9 **Discounting Factor**

It is pertinent to note that the present tariff determination proceedings are subject to the agreed levelized ceiling tariff of Rs. 4.50/kWh. Therefore, for the purpose computation of levellised tariff, the discount factor equivalent to weighted average cost of capital {Term Loan (R) and Return on Equity (RoE)} shall be considered i.e. {(R x 0.7) + (RoE x 0.3)}. The approved rate of interest on term loan is 9.35% and return on equity is 14% with debt: equity ratio as 70:30. Accordingly, the discounting factor is arrived at 10.75%.

14.10 **Operation and Maintenance Expenses (O&M expenses)**

14.11 The Commission observes that Regulation 35.4 of the HERC MYT Regulations, 2024, governs the provisions relating to O&M expenses for Hydro Power plants. The same is reproduced hereunder:-

"35.4. Operation and Maintenance Expenses for Hydro Power Plant
…
(b) In case of the hydro generating stations declared under commercial operation on or after 1.4.2025, operation and maintenance expenses of first year shall be fixed at 3.5% and 5.0% of the original project cost (excluding cost of rehabilitation & resettlement works, IDC and IEDC) for stations with installed capacity exceeding 200 MW and for stations with installed capacity less than 200 MW, respectively.
(c) In case of hydro generating stations, which have not completed a period of three years as on 1.4.2025, operation and maintenance expenses for 2025-26 shall be worked out by applying escalation rate of 5.47% on the applicable operation and maintenance expenses as on 31.3.2024. The operation and maintenance expenses for subsequent years of the tariff period shall be worked out by applying escalation rate of 5.47% per annum."

The Petitioner has submitted that in line with the regulation in vogue, it has considered base cost of Rs. 2,375.57 Crore (capital cost 2849.94 crore minus IDC: Rs. 466.69 crore minus Rehabilitation and Resettlement Works Rs. 7.68 crore). O&M expenses at 3.5% of the Base Capital Cost as works out to Rs. 83.14 crore which needs to escalated @ 5.47% p.a.

Per-contra, the respondent (HPPC) has vehemently argued that as per Regulation 35.4(b) of the HERC Regulations, O&M expenses for hydro projects are to be computed at 3.5% of the original project cost excluding IDC, IEDC and R&R costs. Accordingly, the Petitioner is liable to recompute the O&M expenses strictly in accordance with the HERC Regulations after excluding inadmissible components and ensuring proper classification of cost elements.

The Petitioner has submitted that it has no objection in re-determining the admissible O&M expenses, after making such exclusions/adjustments towards IEDC, IDC, and R&R components as may be applicable under the extant regulatory mechanism.

The Commission has carefully examined the submissions of the Petitioner and the objections raised by the Respondent with regard to the computation of Operation and Maintenance (O&M) expenses.

The Commission observes that the Petitioner has agreed to the re-determination of the base capital cost for computation of O&M expenses by excluding the components relating to Interest During Construction (IDC), Incidental Expenditure During Construction (IEDC) and Rehabilitation & Resettlement (R&R) expenses. The Commission finds the said approach to be in consonance with the methodology prescribed under the HERC MYT Regulations, 2024.

The Commission further observes that the present tariff determination exercise is governed by the levelized ceiling tariff of Rs. 4.50/kWh stipulated under the PPA. Therefore, after determining all the other admissible components of tariff in accordance with the HERC MYT Regulations, 2024, the Commission is of the considered view that the O&M expenses and the annual escalation thereon can appropriately be treated as balancing parameters for ensuring that the levelized tariff does not exceed the prescribed ceiling of Rs. 4.50/kWh.

Accordingly, the Commission has considered the hard cost of the Project amounting to Rs. 2,045.76 crore, comprising Land & Buildings (Rs. 21.08 crore), Civil and Hydro-Mechanical Works (Rs. 1,676.92 crore), and Electro-Mechanical Works including Transmission System (Rs. 347.76 crore), as the base capital cost for computation of Operation and Maintenance expenses. Applying the normative rate of 3.50% specified under the HERC MYT Regulations, 2024, the admissible O&M expenses for the first year are determined at Rs. 71.60 crore.

The Commission further observes that the Regulations prescribe an annual escalation factor of 5.47% for O&M expenses. However, application of the said escalation factor would result in the levelized tariff exceeding the ceiling tariff of Rs. 4.50/kWh, which would be contrary to the terms governing the present tariff determination. Accordingly, in exercise of its regulatory jurisdiction and to ensure adherence to the applicable tariff ceiling, the Commission considers it appropriate to apply an annual escalation factor of 2.83% for O&M expenses from the second year onwards. The O&M expenses have, therefore, been computed with an annual escalation of 2.83% for the balance tariff period so as to ensure that the levelized tariff remains within the ceiling of Rs. 4.50/kWh.

Having held as above, the Commission is constrained to take note of the observations made by the Hon'ble Appellate Tribunal for Electricity (APTEL) in its judgment dated 26.05.2025 in Appeal No. 85 of 2022 and IA No. 1810 of 2024 pertaining to the tariff determination of the 110 MW Hydro Electric Project of GI Hydro Private Limited (formerly Gati Infrastructure Private Limited), wherein the Hon'ble Tribunal observed as under:

"161. The Appellant's Project is located in the State of Sikkim and is a large hydro project with a capacity of 110 MW. Further, its scheduling is undertaken by the Eastern Regional Load Dispatch Centre and is covered under the Inter-State ABT mechanism. Considering the nature of the Project, its tariff ought to be a two-part tariff, having both energy and fixed charges. This is unlike the one-part tariff contemplated under the HERC MYT Regulations, 2012."

In line with the judgement of Hon'ble APTEL (supra), the Commission is of the considered view that, in principle, the tariff for a hydro generating station should bear a reasonable correlation with the cash flows of the generating station and should enable the generator to service its debt obligations and recover prudently incurred costs while simultaneously safeguarding consumer interest. It is with this objective that Regulation 21 of the HERC MYT Regulations, 2024 provides that repayment of loan during the moratorium period shall be considered equivalent to the depreciation allowed in tariff.

Ordinarily, therefore, tariff for hydro generating stations ought to be recovered through a two-part tariff comprising Capacity Charges and Energy Charges in terms of Regulation 35.5 of the HERC MYT Regulations, 2024. However, the present case stands on a distinct footing. The tariff determination is governed by the provisions of the Power Purchase Agreement, which prescribes a levelized ceiling tariff of Rs. 4.50/kWh. Adoption of the conventional two-part tariff mechanism under Regulation 35.5 would not be compatible with the contractual framework governing the present proceedings and may disturb the levelized tariff ceiling agreed between the parties.

The Commission has, therefore, examined an alternative approach whereby the annual tariff corresponding to the levelized ceiling tariff of Rs. 4.50/kWh is determined separately for each tariff year over the tenure of the Power Purchase Agreement. The Commission is of the considered opinion that such an approach adequately reflects the changing cost profile of the Project over time, ensures transparency in tariff recovery, preserves the overall levelized ceiling tariff stipulated under the PPA, and strikes an equitable balance between the interests of the generator and the procurer.

Accordingly, the Commission approves the year-wise tariff for each of the 35 tariff years commencing from the Commercial Operation Date, i.e., 09.08.2025, as set out in Annexure-A appended to this Order.

The tariff so determined shall be applicable to the net saleable energy supplied by the Petitioner, i.e., the ex-bus energy generated after deduction of auxiliary consumption and the free power payable to the Government of Himachal Pradesh in accordance with the applicable contractual provisions. The Commission has also taken note of Clause 9.1.3(ii) of the duly executed Power Purchase Agreement (PPA), which stipulates that the differential tariff, if any, shall be payable together with the applicable interest. In consonance with the settled principle of restitution, the Commission holds that the Petitioner shall be entitled to interest on the differential tariff amount at the rate of 9.35% per annum, being the rate of interest on working capital allowed in the present tariff determination. Such interest shall be computed from the date on which the original payment became due or was made, as the case may be, until the date of actual payment of the differential amount, so as to restore the Petitioner to the same financial position that would have prevailed had the correct tariff been applied in the first instance. The differential tariff together with the aforesaid interest shall be payable within 45 days from the date of issuance of this Order. In the event of any delay beyond the said period, the outstanding amount, including the accrued interest, shall attract Late Payment Surcharge (LPS) at the rate of 13.70% per annum, in terms of Article 9.3.5 of the duly executed PPA read

with Regulation 44 of the HERC MYT Regulations, 2024, until the date of actual payment.

Further, in terms of Clause 9.1.3 of the Power Purchase Agreement read with Regulation 35.5.4 of the HERC MYT Regulations, 2024, the tariff determined by the Commission shall be applicable only up to the approved Saleable Design Energy of the Project. Any scheduled energy supplied in excess of the Saleable Design Energy shall constitute Secondary Energy and shall be billed at the rate of Rs. 0.90/kWh. The Secondary Energy shall be determined, every year, on 08th of August, as the tariff year has been taken from 09th August to 08th August.

The Commission has also examined the claim of the petitioner for the reimbursement of the tariff filing fee and newspaper publication expenses. The Commission observes that while HERC MYT Regulations, 2024, does not explicitly provides for the same, Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2024, provides as under:-

"94. Application fee and publication expenses: The following fees, charges and expenses shall be reimbursed directly by the beneficiary in the manner specified herein:
(1) The application filing fee and the expenses incurred on publication of notices in the application for approval of tariff, may at the discretion of the Commission, be allowed to be recovered by the generating company or the transmission licensee, as the case may be, directly from the beneficiaries or the long term customers, as the case may be."
HPPC has countered the claim of the petitioner merely on the ground of lack of regulatory provision and lack of precedent.

In this regard, the Commission observes that HERC MYT Regulations, 2024, bestows inherent powers on the Commission, reproduced hereunder:-

"84. SAVING OF INHERENT POWERS OF THE COMMISSION

84.1 ***Nothing in these Regulations shall be deemed to limit or otherwise affect the inherent power of the Commission to make such orders as***

may be necessary for ends of justice or to protect consumers' interest or to prevent the abuse of the process of the Commission.

84.2 ***Nothing contained in these Regulations shall limit or otherwise affect the inherent powers of the Commission from adopting a procedure, which is at variance with any of the provisions of these Regulations, if the Commission, in view of the special circumstances of the matter or class of matters and for reasons to be recorded in writing, deems it necessary or expedient to depart from the procedure specified in these Regulations.***

84.3 ***Nothing in these Regulations shall, expressly or by implication, bar the Commission to deal with any matter or exercise any power under the Act for which no Regulations have been framed, and the Commission may deal with such matters, powers and functions in a manner it thinks fit."***

(Emphasis supplied)

The Commission observes that the expenditure incurred on filing of the present tariff petition as well as publication of notices is a statutory requirement for processing the tariff petition.

Accordingly, in line with Regulation 94 of the CERC Tariff Regulations, 2024 and in exercise of powers vested under Regulation 84.3 of the HERC MYT Regulations, 2024, and, being an actual and prudently incurred expenditure, the Commission approves tariff petition filing fee and the expenses actually incurred on publication of notices, as a pass-through, separately recoverable by the Petitioner from the Respondent on actual payment basis, subject to production of satisfactory documentary evidence.

Needless to add that statutory levies, royalty, additional processing charges on minor minerals imposed by the Government of Himachal Pradesh after the execution of the Power Purchase Agreement, and taxes, including taxes on income, shall not form part of the tariff determined in the present Order. In terms of Regulation 25 of the HERC MYT Regulations, 2024 read with Clause 4.5 and Clause 9.1.2 of the Power Purchase Agreement, such statutory levies and taxes shall be recoverable by the Petitioner from the Respondent on actual payment

basis, subject to production of satisfactory documentary evidence and in accordance with the applicable provisions of law.

In terms of the above Order, the present petition along with all pending Interlocutory Applications (IAs), if any, stands disposed of.

This order is signed, dated and issued by the Haryana Electricity Regulatory Commission on 03.07.2026.

	Sd/-	**Sd/-**	**Sd/-**
Date:03.07.2026	**(Shiv Kumar)**	**(Mukesh Garg)**	**(Nand Lal Sharma)**
Place: Panchkula	**Member**	**Member**	**Chairman**

ANNEXURE - A									
YEAR	DEPRECIATION	LOAN INTEREST	RoE	IoWC	O&M	Tot Charges	Tariff	Discount Rate	Discounted Trf
	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore	Rs / kWh	10.75%	Rs /kWh
1	145.38	174.33	116.23	5.56	71.60	513.11	**5.36**	1.00	5.36
2	145.38	160.74	116.23	5.51	73.63	501.50	**5.24**	0.90	4.73
3	145.38	147.15	116.23	5.47	75.71	489.95	**5.12**	0.82	4.17
4	145.38	133.56	116.23	5.43	77.85	478.45	**5.00**	0.74	3.68
5	145.38	119.96	116.23	5.39	80.06	467.02	**4.88**	0.66	3.24
6	145.38	106.37	116.23	5.35	82.32	455.65	**4.76**	0.60	2.86
7	145.33	92.78	116.23	5.31	84.65	444.31	**4.64**	0.54	2.52
8	145.24	79.19	116.23	5.27	87.05	432.99	**4.52**	0.49	2.21
9	145.24	65.61	116.23	5.24	89.51	421.84	**4.41**	0.44	1.95
10	145.21	52.04	116.23	5.21	92.05	410.73	**4.29**	0.40	1.71
11	145.19	38.46	116.23	5.18	94.65	399.71	**4.18**	0.36	1.50
12	145.19	24.88	116.23	5.15	97.33	388.79	**4.06**	0.33	1.32
13	36.24	16.29	116.23	4.31	100.08	273.16	**3.44**	0.29	1.01
14	36.24	12.67	116.23	4.37	102.92	272.43	**3.43**	0.27	0.91
15	36.24	9.05	116.23	4.43	105.83	271.78	**3.43**	0.24	0.82
16	36.21	5.43	116.23	4.49	108.82	271.18	**3.42**	0.22	0.74
17	36.11	1.81	116.23	4.55	111.90	270.61	**3.41**	0.20	0.67
18	36.11		116.23	4.63	115.07	272.04	**3.43**	0.18	0.60
19	36.11		116.23	4.73	118.33	275.40	**3.47**	0.16	0.55
20	36.11		116.23	4.83	121.67	278.85	**3.52**	0.14	0.51
21	36.11		116.23	4.93	125.12	282.39	**3.56**	0.13	0.46
22	36.11		116.23	5.04	128.66	286.04	**3.61**	0.12	0.42
23	36.11		116.23	5.14	132.30	289.79	**3.65**	0.11	0.39
24	36.11		116.23	5.26	136.04	293.65	**3.70**	0.10	0.35
25	36.11		116.23	5.37	139.89	297.61	**3.75**	0.09	0.32
26	36.11		116.23	5.49	143.85	301.69	**3.80**	0.08	0.30
27	36.11		116.23	5.61	147.92	305.88	**3.86**	0.07	0.27
28	36.11		116.23	5.74	152.11	310.19	**3.91**	0.06	0.25
29	36.11		116.23	5.86	156.41	314.62	**3.97**	0.06	0.23
30	36.11		116.23	6.00	160.84	319.18	**4.02**	0.05	0.21
31	36.11		116.23	6.13	165.39	323.87	**4.08**	0.05	0.19
32	36.11		116.23	6.27	170.07	328.69	**4.14**	0.04	0.18
33	36.11		116.23	6.42	174.89	333.65	**4.21**	0.04	0.16
34	36.11		116.23	6.56	179.84	338.74	**4.27**	0.03	0.15
35	36.11		116.23	6.71	184.93	343.99	**4.34**	0.03	0.13
TOTAL	2,574.73	1,240.32	4,068.19	186.92	4189.31	12259.46		10.02	45.08
							Levellised Tariff		4.50

Date:03.07.2026
Place: Panchkula

Sd/-
(Shiv Kumar)
Member

Sd/-
(Mukesh Garg)
Member

Sd/-
(Nand Lal Sharma)
Chairman