BEFORE THE UTTAR PRADESH ELECTRICITY REGULATORY COMMISSION LUCKNOW

PETITION No 825,826,827,828 & 829/2012
In the matter of:
Approval of capital cost and determination of tariff for 2x45 MW coal based Thermal Power Stations situated at Barkhera, Khambarkhera, Maqsoodpur, Kundarkhi & Utraula.

M/s Bajaj Energy Pvt. Ltd
(Units-Barkhera, Khambarkhera, Maqsoodpur, Kundarkhi & Utraula)
B-10, Sector-3, Noida
Gautam Budh Nagar, (U.P) .............. Petitioner

U.P Power Corporation Limited
Vakti Bhawan
14-Ashok Marg
Lucknow U.P. India
The undersigned is presently posted as Chief Engineer, Power Purchase
Rek No 3152000 Agreement Directorate, U.P Power Corporation Limited, Shakti Bhawan, Lucknow and has been authorized to file the present petition.

(SUDHIR KUMAR)
ALLOCATE & NOTARY PUBLIC

(Paveli Nagar, Khurshed Bagh
Lucknow U.P. India)
It is most humbly prayed by Respondent: -

(A) CAPITAL COST

1. That, UPERC vide its order dated 20-05-13 have directed as follows:

"In this matter, it is again to elucidate that under Reg-17 of UPERC Generation Regulation 2009, the actual expenditure incurred on completion of the project shall form the basis for determination of tariff subject to prudence check by the Commission. For submission of project cost, since there was no agreed capital cost in the PPA, the mode has been directed by the Commission vide its orders dated 22.12.11, 05.11.12 and 28.01.13. But, despite repeated directions of the Commission, UPPCL has not filed the verified and agreed capital cost till date. To provide a last chance, the Commission allows three months time to UPPCL to complete the job otherwise it would be treated as non-compliance of the Commission's orders and would be considered under the respective provisions of the Act."

2. That, since UPPCL do not have in-house expertise in respect of verification of project costs, Central Electricity Authority, New Delhi were requested vide letter No 399 dated 19-08-13 for assisting UPPCL in finalizing the mutually agreed project costs with M/s Bajaj Energy to enable the submission of same before Hon'ble Commissioning.

3. That, Central Electricity Authority vide their letter No 1991 dated 18-09-13 intimated that consequent to liberalization of Thermal Generation as per Electricity Act -2003, CEA is no longer doing cost appraisal of Thermal Generation Project and the relevant project cost data is also not available with them.

4. That, Subsequently UPPCL engaged the services of M/s Bhushan Rastogi & Associates as an Independent Agency for verification of actually incurred capital cost of 5x90 MW projects setup by M/s Bajaj Energy. The assignment was awarded to them on 30-11-13 and they were directed to complete the same within one (1) month time.

5. That, M/s Bhushan Rastogi & Associates carried out detailed scrutiny of accounts and related records for verifications of actually incurred project costs. They also conducted the site visits. A copy of Report dated 12-05-14 is enclosed herewith at Annexure-1.

That, after examination of the report and detailed discussions with M/s Bhushan Rastogi, the supplementary report (Addendum -1) submitted by them is also enclosed (Annexure-2)
7. That, based on above, certain deductions have been made in the project cost claimed by M/s Bajaj as per following:

(a) Non maintenance of normative debt, equity ratio and advance payment to BIDCO.
(b) Deduction on account of work in progress after COD (invalid claim), disallowance of consultancy payment of Sicon etc.
(c) Deduction on account of Plants installed on existing surplus land of Sugar Mills.
(d) Deduction of furniture & fixtures, software and vehicles.

8. That, the duly verified and mutually agreed project cost of each of the project, as per letter dated 01-10-14 of M/s Bajaj Energy (copy at Annexure-3) is as follows:

<table>
<thead>
<tr>
<th>Sl. No</th>
<th>Name of the Power Station</th>
<th>Capital cost earlier filed in petition</th>
<th>Agreed Deductions</th>
<th>Project cost Agreed</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Khamberkhera</td>
<td>310.5</td>
<td>11.07</td>
<td>499.4</td>
</tr>
<tr>
<td>2</td>
<td>Barkhera</td>
<td>308.23</td>
<td>11.63</td>
<td>495.6</td>
</tr>
<tr>
<td>3</td>
<td>Maqsoodpur</td>
<td>504.42</td>
<td>10.41</td>
<td>494.0</td>
</tr>
<tr>
<td>4</td>
<td>Kundarkhi</td>
<td>511.42</td>
<td>11.61</td>
<td>499.8</td>
</tr>
<tr>
<td>5</td>
<td>Uttraula</td>
<td>535.23</td>
<td>13.26</td>
<td>522.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>2569.80</strong></td>
<td><strong>57.98</strong></td>
<td><strong>2511.82</strong></td>
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</table>

9. That, UPERC Regulations do not provide any bench mark time limits for completion of 45 MW Plants. The fact gains further significance in view of the fact that the Projects have been developed on pre-acquired ready site with already developed basic infrastructures. Further the developer also had the specific permission/concession for use of ground water. The time line specified for green field Projects may therefore not apply in this case. M/s Bajaj in their Petition have claimed ROE @ 16% including 0.5% additional ROE for timely completion of Projects. The Commission is therefore requested to relook the admissibility of 0.5% additional ROE to them.

10. That, PPA read with UPERC Regulations provide actual tax of Income would be allowed. M/s Bajaj in their Petition have claimed ROE by grossing up with MAT rate. The Commission is requested to relook the grossing up of ROE in light of Regulation.

11. That, although M/s Bajaj have claimed interest on working Capital @ 13% in their Petition, the interest should not be more than actually paid by them and it should be capped with respect to actually paid rate.

12. That, in light of above narrated facts & circumstances, the Commission is humbly prayed as under:

(a) Determine the capital cost of each of the project after prudence check at their end. Final tariff may also be determined based on finalised Capital costs.
(b) Condone the delay in submission of verified and mutually agreed project cost, which has occurred due to procedural reasons & Independent Agency involved for verification of Cost at Five (5) different locations.

(c) Pass the suitable orders as deemed fit in the subject matter.

(S.P. Pandey)
Ex. Chief Engineer (PPA)

VERIFICATION

I, the above deponent, do hereby verify that the contents of this affidavit are true to my knowledge and belief, no part of it is false and nothing material has been concealed.

Signed and verified this 10th day of Oct 2014

(S.P. Pandey)
Ex. Chief Engineer (PPA)

Sworn and verified before me

(Sudhir Kumar)
Advocate & Notary Public
2, Tripathi Nagar, Khasnabad Bagh
Lucknow U.P. India
Reg No 20155212000

10-10-14
Chief Engineer, (PPA)
U.P. Power Corporation Ltd.
14th Floor, Shakti Bhawan Ext.,
14, Ashok Marg,
Lucknow

Sub: 5x90 MW Project-Capital Cost

Dear Sir,

In continuation of our letter dated 24.09.2014, it is informed that the project-wise breakup of the cost upto COD after the agreed deductions works out as under:

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Thanking you,

Yours faithfully,

For Bajaj Energy Pvt. Ltd.

(Authorized Signatory)

[Signature]

Date: 01.10.2014