

**PUBLIC NOTICE**

**Disclosure Pursuant To Petition Filed Before The HPERC For Determination Of Generation Tariff For Sale From Baspa Stage-II 300 MW Hydro Power Plant**

This Public Notice is being issued by Jaiprakash Hydro- Power Limited (JHPL), a company incorporated under the Companies Act, 1956 having its registered office at C-16, Sector 1, SDA Housing Complex, New Shimla -171009, Himachal Pradesh in compliance with:

(a) Directions issued by the Himachal Pradesh Electricity Regulatory Commission (HPERC) vide order dated 24<sup>th</sup> December 2005 passed in Case no. 338/05, pertaining to the Application filed for determination of Tariff for sale of power (Application) from 300 MW Hydro Electric power generation Project at Baspa-II in Kinnaur District, Himachal Pradesh (Project) to Himachal Pradesh State Electricity Board (HPSEB)

(b) Section 64(2) of the Electricity Act, 2003 read with sub-regulation (5) of Regulation 16 of HPERC (Conduct of Business) Regulations, 2005, which requires JHPL to publish the Application in an abridged form and manner, specified by HPERC

Whereas, full text of the following documents shall be available on [www.jhpl.com](http://www.jhpl.com) with effect from 3<sup>rd</sup> January 2006

(a) Application filed by JHPL in Case no. 338 of 2005, along with salient features of additional information filed before HPERC;

(b) Red herring prospectus (Prospectus) issued in the eve of the Initial Public Offering (IPO) on 7<sup>th</sup> March 2005 [by way of offer for sale of 18 crores equity shares of JHPL out of 49.1 crores shares held by Jaiprakash Associates Limited (JAL), erstwhile Jaiprakash Industries Limited (JIL)]

Whereas copies of the Application and salient features of the information supplied and the Prospectus can be obtained from the offices of Jaiprakash Hydro Power Limited, C-16, Sector 1, SDA Housing Complex, New Shimla - 171009, Himachal Pradesh, on payment of Rs 1000/-, w.e.f. 3<sup>rd</sup> January 2006 and can also be examined and inspected in the above office during office hours on any working day.

Whereas, in compliance with directions issued by HPERC, salient features of the Project along with information directed to be disclosed by HPERC is set out in this Public Notice.

(A) **Brief details of Project Specific Agreements signed by JHPL with HPSEB and Government of Himachal Pradesh (GOHP) Memorandum of Understanding (MOU)** signed by JIL with GOHP on 23<sup>rd</sup> November, 1991 for the implementation of the Project. In terms of the MOU,

- GOHP had in principle, accepted JIL's proposal to set up the Project and allowed JIL to implement the Project.
- JIL had agreed to surrender 12% of the power generated at the Project to the State of Himachal Pradesh and
- JIL had agreed to give HPSEB a first option to purchase the whole or part of the remaining power generated at the Project, in accordance with rates mutually agreed between JIL and HPSEB and/or in accordance with guidelines issues by the Central Government

**Implementation Agreement (IA)** dated 1<sup>st</sup> October 1992 was signed by JIL, with GOHP, granting JIL the right to establish, own, operate and maintain the Project and generate and sell power from the Project for an initial term of forty years (extendable for further period of 20 years), subject to JIL complying with conditions of the IA.

A Tripartite Agreement dated 17.10.1995 was executed between GOHP, JIL and JHPL consenting the transfer of all assets, liabilities, obligations, privileges and benefits arising out of MOU and the IA from JIL to JHPL.

**Power Purchase Agreement (PPA)** dated 4<sup>th</sup> June 1997 between Jaiprakash Hydro Power Limited (JHPL) and HPSEB

In terms of the PPA, JHPL has agreed to sell and HPSEB has agreed to purchase the entire electric energy generated at the Project (excluding 12% free energy falling in GOHP's share), for an initial term of forty (40) years, extendable for a further period of twenty (20) years, on terms and condition set out in the PPA. In terms of the PPA:-

(i) **Capital cost of the project** shall include (i) Basic cost of civil works, electrical work, transmission line and inventory spares, (ii) Escalation on the unspent amount of the basic cost @ 6% p.a., and (iii) Interest during construction period and financing charges.

(ii) **Tariff** comprises of

**Capacity Charges** consisting of interest on outstanding loans, depreciation/ advance depreciation.

**Primary Energy Charges** (consisting of O&M charges @ 1.25% of capital cost with 6% p.a. escalation for the first 10 years and thereafter related to WPI & CPI, 16% Return on Equity (ROE) and interest on working capital),

**Incentive on account of higher plant availability** exceeding the normative level of 90% @ 0.35% of Equity Component of the Capital Cost for each percentage increase subject to a maximum of 2% ROE.

**Incentive for Secondary Energy Charges** 10% ROE on net normative saleable secondary energy upto 155MU and **Applicable Tax on Income.**

(iii) **Deemed Generation** is payable in the event, (i) HPSEB is unable to evacuate the power from the Project and/or (ii) HPSEB gives a backing down instruction to JHPL and/or (iii) Project achieves normative availability level in a tariff year but the actual energy generated falls short of the design energy either for the reasons attributable to hydrology (in the initial 7 years of the operation of the Project) or due to water spillage due to reasons beyond the control of JHPL.

(iv) **Depreciation and Advance Depreciation** is chargeable as a part of tariff @ 4.3% p.a. for initial 21 years and the total depreciation charge shall not exceed 90% of the capital cost. Advanced depreciation is allowable for the repayment of the debt and the sum of depreciation and advance appreciation shall not exceed 1/12<sup>th</sup> of the total loan component in a year.

(v) 12% of energy generated by the Project is to be supplied to GOHP at interconnection point at Jhakri.

(vi) Monthly bills due from HPSEB to JHPL are to be cleared through a confirmed irrevocable, without recourse, revolving Letter of Credit backed by an Escrow account with a scheduled bank, established by HPSEB.

**Supplementary Agreement (SA)** dated 28<sup>th</sup> February 2003 to the PPA between HPSEB and JHPL.

In terms of the SA, HPSEB and JHPL agreed that Rs 1550 crores (amount approved by GOHP and HPSEB) or amount finally approved by the Central Electricity Authority (CEA) or actual capital expenditure (duly audited by the Statutory auditors of JHPL) till commercial operation date of the Project, whichever is less, shall be the Capital Cost of the Project

It was further agreed that till the approval of CEA, HPSEB would pay JHPL on the basis of net revenue realized by sale of power from the Project, after deducting amount of 12% free power. Further, if there is any shortage in debt servicing by JHPL, HPSEB/GOHP agreed that JHPL would be paid the amount from recoveries made by sale of 12% free power. The differential amount being eligibility under PPA and actual received from HPSEB shall be made good in future when market realization is higher than the eligibility under PPA with interest.

(B) **Important events in a chronological order forming part of factual history leading to setting up of the Project upto the filing of the Application.**

YEAR / DATE	KEY EVENTS
November 23, 1991	MOU signed by JIL with Government of Himachal Pradesh (GOHP) for the implementation of the Project.
May 1992	Project report submitted by JIL to GOHP after carrying out a detailed techno-economic feasibility study.
December 17, 1993	Approval by Ministry of Environment and Forest, Govt. of India for the Project.
April 24, 1994	Techno-economic clearance granted by CEA for the Project.
October 17, 1995	Execution of a tripartite agreement between GOHP, JIL and JHPL consenting the transfer of all assets, liabilities, obligations, privileges and benefits arising out of MOU from JAL to JHPL.
June 4, 1997	Signing of PPA with HPSEB pursuant to IA with GOHP.
January 7, 1998	Amendment made in the PPA to include provisions for escrow mechanism/letter of credit for realization of payment from HPSEB.
January 18, 1999	Submission of Firm Financial Package of Rs.1365.00 Crs by JHPL to CEA and HPSEB
July 31, 2000	Occurrence of flash floods in river Sutlej disrupting communication and transportation links to the project site, resulting into delay in the implementation of the Project by 15 months.
May 14, 2001	Submission of revised firm financial package of Rs.1620.15 Crs. by JHPL to HPSEB and CEA consequent to increase in the cost on account of the flash floods.
December 4, 2002	GOHP/HPSEB granted "in-principle" approval for capital cost of the Project at Rs.1550.00 Crs. or actual whichever is less.
February 28, 2003	Execution of SA to PPA between JHPL and HPSEB in regard to payment of energy under the PPA based on actual realization for the sale of Baspa power by HPSEB and modalities for payment of receivable.
June 8, 2003	Commercial Operation Date of the Project.
July 21, 2003	CEA advised GOHP that the actual cost of Interconnection Facility amounting to Rs 62.87 Crs.be considered for tariff computation as against the amount of Rs 17.76 Crs. approved by CEA in TEC.
September 6, 2003	Order issued by HPERC declaring the SA to PPA as void ab initio, non est or inoperative and directing HPSEB and JHPL to (a) restructure the debts and reduce the interest costs, (b) File the financial package after the approval of CEA and directing HPSEB to continue to pay to JHPL the revenue realized from sale of energy, pending determination of tariff.
December 11, 2003	Meeting of lenders agreeing in-principle for restructuring the debt with re-aligning the interest rate at 10.50% p.a. and re-fixation of repayment schedule.
March 2005	Filed Prospectus with Registrar of Companies, Jalandhar for Offer for Sale of 18 Crs equity shares of Rs 10/- each of the company by JAL, the holding Company.
July 5, 2005	Occurrence of heavy flood in river Baspa damaging downstream of Barrage Works of the project.
October 2003 to October, 2005	Monthly review hearings held before HPERC to review the status of CEA approval and the status of debt restructuring.
November 5, 2005	HPERC directed JHPL to file application/petition for approval of tariff within one month notwithstanding the fact that CEA approval is still awaited.
November 21, 2005	JHPL filed tariff application /petition with HPERC
December 19, 2005	JHPL filed application/petition for impleading HPSEB and GOHP and placing additional information/ clarifications/ details on record in compliance with HPERC letter dated December 8 <sup>th</sup> , 2005.
December 21, 2005	HPERC admitted the Tariff Application/Petition filed by JHPL.
December 24, 2005	HPERC directed JHPL to publish this Public Notice.

(C) **Major assumptions in filing the tariff petition:-**

S.No	Particulars	03-04	04-05	05-06	06-07 onwards
<b>1 COST OF PROJECT</b>					
a Project Cost	Rs in Crs	1667.34	1667.34	1667.34	1667.34
b Debt Restructuring Expenses PH-I	Rs in Crs	20.00	58.43	58.43	58.43
c Debt Restructuring Expenses PH-II	Rs in Crs	-	-	12.40	12.40
d Capital Expenditure (ForceMajureExpenditure)	Rs in Crs				40.00
		<b>1687.34</b>	<b>1725.77</b>	<b>1738.17</b>	<b>1778.17</b>
<b>MEANS OF FINANCE</b>					
a Equity	Rs in Crs	491.00	491.00	491.00	491.00
b Loans (RTL)	Rs in Crs	885.41	885.41	885.41	885.41
c Loans (FCL)	Rs in Crs	203.45	203.45	203.45	203.45
d Other sources (i)	Rs in Crs	107.48	145.91	158.31	198.31
<b>Total Means of Finance</b>	Rs in Crs	<b>1687.34</b>	<b>1725.77</b>	<b>1738.17</b>	<b>1778.17</b>
<b>2 Saleable Energy</b>					
a Primary Energy	MU	940.41	1041.93	1050.06	1050.06
		(actual)	(actual)		
b Secondary Energy	MU	50.35(actual)		155.00	155.00
c Deemed generation	MU		8.13		
<b>Total Saleable Energy</b>		<b>990.76</b>	<b>1050.06</b>	<b>1100.06</b>	<b>1205.06</b>
<b>3 O&amp;M Expenses</b>					
		@ 1.25 % of project cost of Rs 1667.34 Crs			
		esclated @ 6% p.a from 2nd year onwards			
<b>4 Return on Equity</b>					
		@ 16% of Rs 491.00 Crs			

5 Working Capital Interest	15.00%	13.75%	10.00%	10.00%
6 Incentive for Plant Availability (% of Equity)	@ 0.35% ROE for each % of plant availability over 90% (max. of 2% ROE)			
7 Tax On Income (initial block of ten Years)	MAT 7.5%+SC+CESS			
8 Incentive for Secondary Energy	10% ROE/155MU*Saleable Secondary Energy (maximum of 10% ROE)			

(D) **Information relevant for the period from 2003-04 to 2008-09.**

(a) **Weighted average rate of interest per annum on Loans**

Year	Rupee Term Loan (RTL)	Foreign Currency Loan -( FCL)
2003-04 (Actual)	15.95%	4.60 %
2004-05 (Actual)	12.45%	4.83%
2005-06 to 2007-08 (Projected)	10.50%	5.10%

**Re-payment schedule of loans**

- (i) All the Rupee Loans are repayable in 44 instalments in the month of July/August/September/October each year commencing from July 2005 onwards except the following:-
- UTIBank repayable in 24 instalments in July/August/September/October each year commencing from July 2010 onwards.
  - IBI repayable in 48 instalments in July/August/September/October each year commencing from July 2005 onwards.
  - PFC repayable in 39 instalments in July/August/September/October each year commencing from July 2005 onwards.
- (ii) Foreign Currency Loan - All the Foreign Currency Loans are repayable in 24 half yearly instalments commencing from July/October 2003 onwards excepting FCL from IDBI which is repayable in 40 quarterly instalments commencing from September 2004 onwards.

(b) **Institution wise details of rate of interest and premium paid for the same:-**

S.No.	Name of Lenders	Rate of Interest		Date of Realignment of Rate of Interest
		Pre alignment	Post alignment	
1	UTI Bank (IFCI till 12.8.04)	17.30% (IFCI)	10.00% (UTI)	12.08.2004
2	IDBI	18.50%	10.50%	01.01.2004
3	LIC	17.38%	10.50%	01.01.2004
4	IIBI	18.50%	10.50%	01.04.2005
5	PFC	16.84%	10.50%	01.04.2005
6	BOB	16.00%	10.50%	01.01.2004
7	PNB	15.00%	10.50%	01.01.2004
8	IOB	15.00%	10.50%	01.01.2004
9	ICICI	17.64%	10.50% 8.50%	01.01.2004 15.06.2005
10	CBOI	15.00%	10.50%	01.10.2004
11	SBOI	14.25%	10.50%	01.01.2004
12	SBOP	14.00%	10.50%	01.10.2004
13	SBOM	14.00%	10.50%	01.01.2004
14	SBOT	13.75%	10.50%	01.01.2004
15	SBOH	14.00%	10.50%	01.01.2004

Note :- Prepayment premium and other financial charges paid including front end fee amounted to Rs 70.83 Crs.

(c) **Regarding Tariff filing forms:-**

JHPL has filed tariff application/petition along with the forms prescribed by HPERC (Revenue and Tariff Filing) Regulations 2005. The salient features of the details/information covered in various forms is as under:-

**Form -1 - Summary Sheet of the Tariff Proposal and Form 1A Detail of the O&M Expenses** - Information in this forms provides the yearwise details of various components of the tariff entitlement of JHPL as per PPA from the sale of power from the project i.e. 1) Depreciation, 2) Interest on loan, 3) Return on Equity 4) Advance against Depreciation, 5) Interest on working capital, 6) O&M Expenses, 7) Incentive for secondary energy, 8) Incentive for higher plant availability, 9) Tax on Income, 10) Interest on Debt Restructuring Cost & Force Majeure Expenditure, 11) Reimbursement of Debt Restructuring Cost & force Majeure Expenditure. The aggregate annual entitlement from the year 2003-04 to 2008-09 has been computed at Rs.314.07 Crs., Rs.327.53 Crs., Rs.382.98 Crs., Rs.378.93 Crs., Rs.371.66 Crs. and Rs.370.96 Crs. respectively.

**Form 1B - Calculation of tariff for the FY 2003-04** - Information in this form covers the breakup of energy generation, revenue etc. for the first year of operations based on the date of commissioning of Unit I (24.05.03), Unit II (28.05.03) and Unit III (08.06.03).

**Form 1C - Calculation of tax on income** - Information in this form covers year wise provision for Minimum Alternate Tax (MAT) computed on profit arrived as per tariff entitlement as per provision of PPA.

**Form 2- Details of type of hydro station, capacity index, primary energy rates etc.** - Information in this form covers Project specific details as per PPA for the tariff period 2003-04 to 2007-08 viz. Primary Energy rate/charges, Secondary energy rate/charges, Capacity Index etc.

**Form 2A Details of month wise design energy** - Information in this form covers the details as under:-

Month	Units in million	Month	Units in million
April	48.42	October	80.33
May	83.88	November	58.10
June	195.97	December	47.35
July	212.04	January	43.84
August	212.04	February	37.79
September	149.67	March	43.75
		<b>Total</b>	<b>1213.18</b>

**Form 3 - Salient features of the Hydro Electric Project** - Information in this form covers the technical specifications of Diversion tunnel, Dam Spillway, Reservoir, Desilting arrangement, Head Race Tunnel, Surge Shaft, Penstock/pressure Shafts, Power house, Tail Race Tunnel, Switchyard of the Baspa II 300MW HE project located at Dist. Kinnaur (H.P)

**Form-5, 5B, 5C, 5BA, 5CA** - Information in this form covers the abstract and breakup of completed project cost at Rs 1667.34 Crs and reasons for variation as compared to cost breakup in TEC of Rs 949.23 Crs (Cost at Dec. 1993 level) with reasons for variation under sub-heads.

**Form-5D Breakup of construction/supply/service packages** - Information in this form covers as per the following details

S.No.	Name of party	Scope of work	Amount
1	Jaiprakash Industries Ltd.	EPC contract	Rs.679.81 cr.
2	Siemens AG, Germany	Supply of generating equipments	US\$ 27.84 million
3	Alstom, France	Supply of GIS, GIB	US\$ 17.50 million

**Form 6 Financial package upto COD** Information in this form covers the following details:-

<b>Debt</b>	FCL - Rs. 203.45 Crs	
	RTL - Rs. 885.41 Crs	<b>- Rs 1088.86 Crs</b>
<b>Others</b>		<b>- Rs. 87.48 Cr</b>
<b>Equity</b>		<b>- Rs. 491.00 Crs</b>
<b>Total</b>		<b>- Rs.1667.34 Crs</b>

**Form 9 & 10 - Additional capitalization after COD and financing thereof** - Information in these forms covers the estimated expenditure of Rs. 40 Crs. (approx) for additional works at Barrage likely to be incurred consequent to flood in July 2005 in river Baspa to be met out of long term working capital loan from ICICI Bank.

**Form 15 - Calculation of interest on working capital loans** - Information in this form covers the details of total working capital comprising of O&M expenses for one month period, maintenance spares and receivables comprising of two months (average), and interest thereon for FY 04.05 and from FY 06 onwards.

**Form 19- Key ratios** - Information in this form covers the following Key ratios for FY 05 and FY 06 are as under :

	FY05	FY06
(a) Annual Capital Expenditure / net book value	0.25%	2.73%
(b) Employee cost as a percentage of total cost	22.55%	23.90%
(c) Operating expenses/revenue from sale of power	0.97%	1.03%
(d) Cost of capital (loans)	10.19 %	9.35%
(e) Debt service coverage ratio	2.03	1.62

**Form 20 Details of primary energy, secondary energy and as Deemed Energy** Information in this form covers the month wise details of design energy & actual generation for FY04 & FY05. The annual total of which is as under:

Year	Design energy as per PPA	Actual generation of energy					
		Delivered	12% free	Net	Primary	Secondary	Deemed
2003-04	940.41	1125.86	135.10	990.76	941.41	50.34	-
2004-05	1050.06	1184.01	142.08	1041.93	1041.93	-	8.13

**Form 21 Incentives for secondary energy higher plant availability-**

(E) **Financial Results for the year 2003-04, 2004-05, unaudited 2005-06 and estimates 2006-07**

Year	2003-04	2004-05	2005-06	2006-07
Total Income	309.36	322.06	351.24	347.29
Gross Profit	290.91	299.97	327.82	322.47
Interest	131.24	127.30	100.10	93.54
Depreciation	60.01	71.70	71.70	71.70
Profit Before Tax	99.66	100.97	156.02	157.23
Profit After Tax	91.28	92.47	142.89	144.00

(F) **Month wise details of actual energy generated from March 2005 till date**

Month	Design saleable energy as per P
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